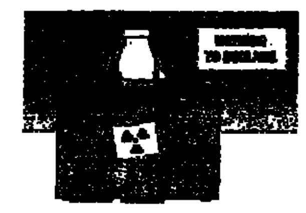
Money men in the beautiful city
Page I

In search of the drinkers' thinker
Page XX

From Planet Hollywood to world conquest
Page VIII



Edge of darkness
The twilight world of smuggled plutonium
Page 8

FINANCIAL TIMES

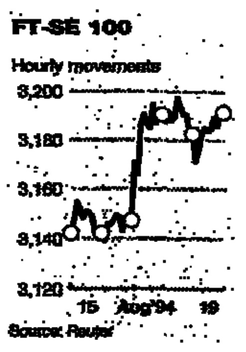
Europe's Business Newspaper | WEEKEND AUGUST 20/AUGUST 21 1994 | D8523A

Asia's growth nations lead rise in UK exports

Asia's growth nations and Latin America are the fastest growing markets for British exporters, with much of the growth coming from the engineering and chemicals sector, the Central Statistical Office said. Exports to the "tiger" nations – Taiwan, Hong Kong, Malaysia, Singapore, South Korea and Thailand – were 25 per cent higher in the three months to July compared with the same period a year ago and exports to Latin American countries were 30 per cent higher. Page 24; Trade position still improving, Page 7

Lufthansa to resume dividend payments: German flag-carrying airline Lufthansa said it expected to make an operating profit this year and confirmed it would resume dividend payments. Page 11

Footsie climbs 49.1 points on week:



UK equities shrugged off the effects of weak international bond markets as *institutions concentrated* on positive news on the domestic economy, but a steep decline in German bunds and a weak performance by US bonds took some of the shine off the London market. The FT-SE 100 index closed 8.8 higher on the session at 3,191.4, extending the rise on the week to 49.1. London stocks, Page 15

Getty Museum steps up pressure: The Getty Museum in California threatened legal action over the UK government's refusal to grant an export licence for "The Three Graces" sculpture which the museum hopes to buy.

Saab Automobile returns to profit: Swedish carmaker Saab Automobile reported a quarterly pre-tax profit of SKr208m ($26.2m), its first under the management of General Motors of the US, which became joint owner of the company with Sweden's Saab-Scania in late 1989. Page 4

Bundesbank ends short-dated paper sales: The Bundesbank is to stop issuing short-dated paper, called Bulis, because of a conflict between its conservative policies and the government's desire to liberalise Germany's underdeveloped financial markets. Page 2

British tourist shot in Florida: Tourist Pamela Cook, 40, from Wakefield, West Yorkshire, was shot in the arm and knee as she struggled with a handbag snatcher outside a Florida hotel.

Africa's delinquent debtors fall in line: The African Development Bank said it expected a big reduction in its loan arrears following the introduction of tougher sanctions against delinquent borrowers. Page 4

Railtrack privatisation 'in jeopardy': Railtrack has been so damaged by the 10-week series of strikes by signalling staff that privatisation could be delayed indefinitely unless the company overhauls working practices and improves productivity, government financial advisers warn. Page 24 and Lex; BR staff could be drafted in to break signal strikes, Page 6

India eases currency rules: The Indian rupee will today become convertible in all current account transactions in a further easing of currency regulations by India's central bank. Page 4

Chief of troubled Tiphook paid £1.34m:

Directors of troubled UK transport leasing company Tiphook fared better than their company last year, with total remuneration climbing from £3.96m to £6.41m in the year that Tiphook lost £331m. Founder and chief executive Robert Montague (left) was the highest paid director, with a bonus of £250,000 pushing his total pay from £1.17m to £1.34m. Page 10

BNF plans more overseas business: State-owned fuels reprocessing company British Nuclear Fuels plans to *increase significantly its* overseas business and expects to double profits to more than £160m ($248m) this year. Page 6

Companies in this issue

Banco de Colombia	11	Norsk Hydro	11
Bancol	11	PT Semen Cibinong	11
Benson Group	10	Pioneer	11
Bristol Scotts	10	Reliance Industries	11
English & Scottish	10	Saab Automobile	11
Goodman Fielder	11	Saab-Scania	11
Hongkong Bank	11	Severn River	10
Hozelock	10	Somerfield	10
ICI	6	Texaco	11
Jourdan (Thomas)	10	Tiphook	10
London City Equities	10	Towles	10
Lufthansa	11	Union International	10
		Varig	11

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CyberCouple to tie the knot virtually

By Louise Kehoe in San Francisco

The bride will be distinctively dressed in a futuristic silver gown, studded with metal and gems. Her groom will cut a dashing figure in Star Trek-style vest and leggings. And, as Monika Liston and Hugh Jo exchange vows today at the world's first "Cyber-Wedding", both will be wearing matching virtual reality head-*sets*.

In reality, the ceremony will take place in San Francisco. In virtual reality, the happy couple will tie the knot in a romantic dream world, brought to life by heavy duty computer equipment.

Floating through Atlantis in a chariot drawn by carousel horses, they are to arrive at the gates of a mythical palace. Entering, they will find the minister awaiting them at the altar. When they kiss in virtual reality, hearts, flowers and white doves will circle above their heads.

Each will view this fantasy from his or her own perspective, through their "vision immersion module" headsets. Their guests will watch the same images and a panorama of the enchantment on carefully positioned video screens and a video wall.

This is a real wedding, and would have been a really expensive wedding were it not being sponsored by Cybermind – where Ms Liston is an executive assistant – and several high-tech companies whose products were used to create the "virtual experience".

"It's going to be a blast," Ms Liston said as she put the final touches on the wedding arrangements. "We had planned to elope, but this is the ultimate elopement. Virtual reality let's us get married wherever we want."

Atlantis might not be the choice of every couple, and perhaps the floating hearts and flowers are a bit too Hollywood for some.

But if you happen to be in San Francisco and want to get married in St Paul's cathedral or on a tropical island, there are alternatives to hopping on a plane. And if yours is a marriage that must be made in heaven, that too can be arranged. Virtual reality weddings could become all the rage, says Ms Aimee Rosewall, Cybermind's director of sales and marketing and wedding co-ordinator. "We will be open on Monday and ready to create your fantasies."

Be warned, however, that the technology does impose a few restrictions. The bride and groom, for example, must stay 12 feet apart throughout the "virtual experience" so that signals

Continued on Page 24

Tide turns against Cubans

James Harding in Key West on the plight of those who flee Castro

Adrift in the middle of the Straits of Florida on a polystyrene raft, oars washed overboard by the ten-foot waves, you pray. First you pray to Our Lady of Regla, the patron saint of the sea. Then you pray to Our Lady of Caridad, patron saint of Cuba. And then you paddle.

It worked for Miriam Villegas, 42, a hospital statistician from eastern Cuba who was picked up by the US Coastguard after two days at sea. But Mrs Villegas, who has since been processed by immigration, washed and clothed by the Transit Centre for Cuban Refugees in new sneakers, slacks and a T-shirt reading "Love you for loving the blues", was one of the last Cuban refugees to get a warm welcome from the US.

President Bill Clinton yesterday confirmed a reversal in US policy, which since the Cuban Adjustment Act of 1966 has almost automatically admitted Cuban refugees and made them *eligible to apply for permanent* resident status after living in the US for a year.

Mr Clinton said all Cuban refugees picked up at sea would be prevented from entering and instead would be taken to the US naval base at Guantanamo Bay, Cuba, where Haitian refugees have been processed by US immigration. He accused the Cuban government of Fidel Castro of attempting to "export" its "political and economic problems".

The last bus load of 65 Cubans to sneak in under the old regulations reached the transit centre from the immigration services at the Key West Coast Guard base at 2.30 yesterday morning. Oblivious to the change in policy, oblivious to almost everything, men wrapped in white blankets filed through a corridor of clapping, back-slapping and cheering compatriots.

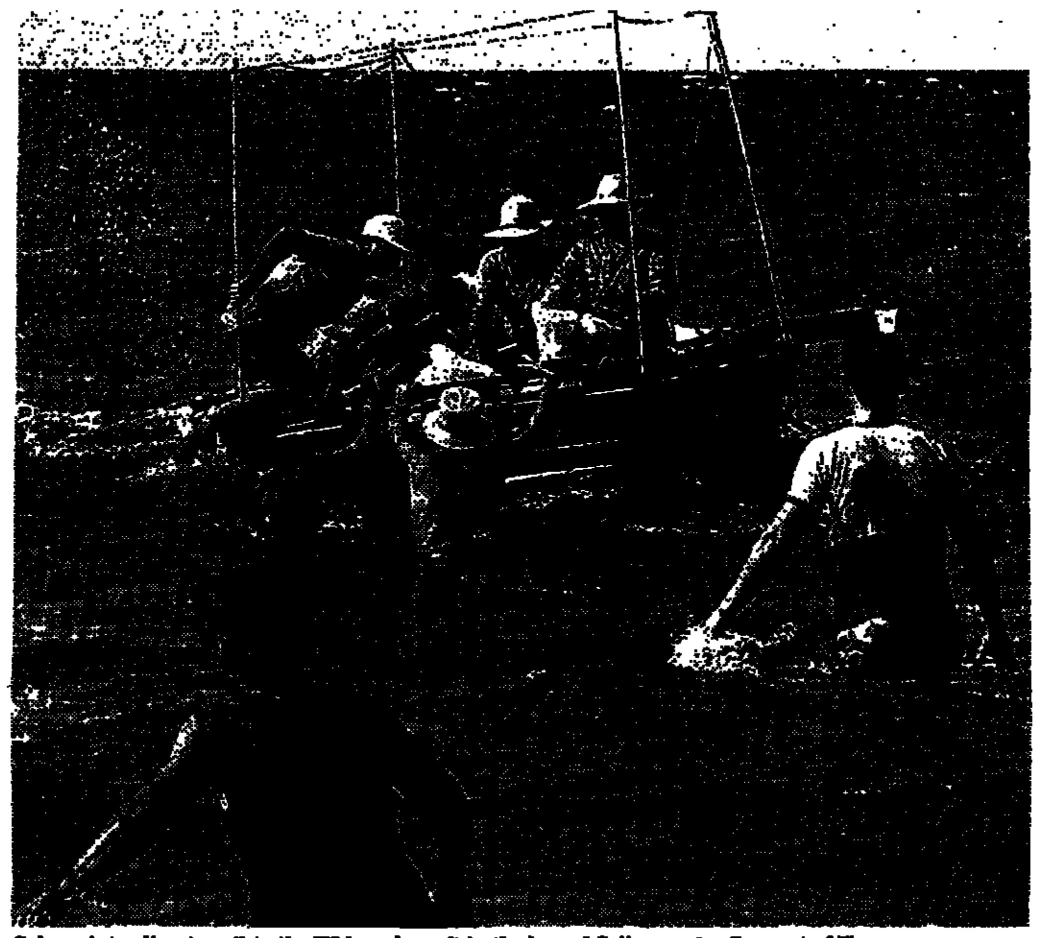
Clinton orders ban on Cuban refugees ....Page 3

Callow faces and tired eyes affirm the writer Ernest Hemingway's observation on the journey across the Straits of Florida. "Brother, don't let anybody tell you there isn't plenty of water between Havana and Key West," Hemingway wrote. The centre estimates that only four out of 10 who try make the crossing successfully.

Luis, who left his whole family behind, knows he was lucky. He and two friends came across on a couple of inner tubes lashed together with rope. They told of an escape with paddles made of corrugated-iron nailed to broom *handles*.

The Florida coast guard picked up another 538 people on Thursday, bringing the total this week to 2,077 – not far short of the 3,565 in the whole of last year. Most of the refugees are brought to Coast Guard base at Trumbo Point in Key West. Until yesterday they were handed over to immigration, who having checked they were Cuban and not Haitian, passed them on to the transit centre.

Florida's state officials were struggling yesterday to come to terms with the practical consequences of the new policy. Mr Tom Herndon, chief of staff to the Florida governor, said federal officials had yet to instruct state officers on changes in operations. He understood the White House was "trying to refine a specific policy".



Cubans intending to sail to the US board a raft in the bay of Cojimar, 10 miles east of Havana — Canadian Press

The change in policy will not be welcomed by many Cuban Americans in Florida, least of all Mr Arturo Cobo, who presides over the transit centre. Mr Cobo, who left Cuba in 1960 and was part of the 1961 ill-fated Bay of Pigs expedition, sits in his office surrounded by commendations and certificates of thanks from Cuban American organisations.

In one corner hang the army

Continued on Page 24

Scotland poised to be site for $1bn NEC factory

By Gordon Cramb in Tokyo, James Buxton in Edinburgh and Louise Kehoe in San Francisco

Scotland is poised to win a $1bn (£600m) Japanese investment which will make it the site for one of the world's most advanced semiconductor plants.

NEC, the biggest chip maker after Intel of the US, is expected to build a factory adjacent to its existing facility at Livingston near Edinburgh which will create 1,000 jobs on top of the 900 it already employs there.

Although the company in Tokyo would not confirm the decision last night, a European expansion is understood to be favoured above an addition to its operations in Roseville, California, the other front-runner.

"We have an enormous facility in the US and so are looking at ways of spreading production around," an NEC official said. "Livingston has a workforce skilled in high-density semiconductors and is strategically well-placed in Europe."

The authorities in Britain and the US have each been keen to secure the investment. Although California has been hampered by its tougher regulations on air and water pollution, the decision also depended on the incentives on offer. The California state authorities are likely to attempt to fight a rearguard action, with incentives that rival those on offer from the Scottish Office.

The outlet will be modelled on NEC's latest plant in Kyushu, Japan. It will eventually produce application-specific integrated circuits (Asics), although initial output will be of 16 megabit and then 64 megabit chips.

These will be honed from eight-inch silicon wafers, the largest the world electronics industry has yet been able to employ on a commercial basis.

NEC expects world chip demand to grow by as much as 15 per cent this year. It is anxious to expand foreign production not only because of the high value of the yen but also to reduce exposure to Japanese suppliers of chip components.

Talks with the British government are believed to have shifted the decision in Scotland's favour.

Contracts with Algiers at risk, warns Islamic Front

By Francis Ghilès in Paris

The main Islamic party battling to take power in Algeria warned foreign governments and companies yesterday that contracts signed since the January 1992 general election may be at risk.

The Islamic Salvation Front (FIS), which was denied certain victory in the election when the government cancelled the poll, warned violence would worsen if the Algiers government did not open a dialogue.

Mr Rabah Khebir, spokesman for the FIS, said in an interview with the Financial Times that all contracts signed since the election could be considered illegal if FIS came to power. Agreements amounting to billions of dollars would be reviewed. Mr Khebir added, however, that it was in Algeria's economic interest to remain open to the west.

But western governments also carried a heavy responsibility for the future course of events in his country, where Islamic militants have recently stepped up attacks on foreign nationals.

The FIS spokesman, who fled Algeria two years ago, said western governments could help establish a dialogue with the Algiers government, but ruled out the participation of France "because of its attitude". France has recently clamped down on members of FIS and other Islamic activists.

He claimed that FIS had always denounced the killing of foreigners, 59 of whom have died, and said the leadership had done all it could to dissuade its supporters from carrying out acts of sabotage against oil and gas installations.

Exports of hydrocarbons should be worth about $9bn (£5.8bn) this year and provide Algeria with 97 per cent of its foreign income. But as the overall level of violence increased, the risks of such acts occurring could only get greater, Mr Khebir said.

"The regime would be well advised to talk to us," he added.

At least 10,000 Algerians are estimated to have died in political violence since the beginning of 1992 and diplomats estimated that the death toll is running at about 300 a week.

Khebir interview, Page 2

STOCK MARKET INDICES

FT-SE 100:	3,191.4	(+8.8)
Yield	3.95	
FT-SE Eurotrack 100	1,352.2	(-0.34)
FT-SE-A All-Share	1,598.16	(+0.3%)
Nikkei	20,512.70	(-350.07)
New York: lunchtime		
Dow Jones Ind Ave	3,758.67	(+3.24)
S&P Composite	463.80	(+0.63)
LONDON MONEY		
3-mo Interbank	5 1/2%	(5 17/32%)
Liffe long gilt fut:	Sep 100 7/32	(Sep100 15/32)

US lunchtime RATES		
Federal Funds:	4 11/16%	
3-mo Treas Bills: Yld	4.658%	
Long Bond	99 31/32	
Yield	7.490%	
NORTH SEA OIL (Argus)		
Brent 15-day (Oct)	$16.59	(16.725)
GOLD		
New York Comex (Dec)	$386.9	(385.9)
London	$382.10	(380.45)

STERLING		
New York lunchtime:		
$	1.54965	
London:		
$	1.5469	(1.5457)
DM	2.3836	(2.3880)
FFr	8.1796	(8.2078)
SFr	2.0014	(2.0079)
Y	152.484	(153.058)
£ Index	78.5	(78.7)

DOLLAR		
New York lunchtime:		
DM	1.53765	
FFr	5.2740	
SFr	1.2915	
Y	98.55	
London:		
DM	1.5396	(1.5445)
FFr	5.2881	(5.307)
SFr	1.2927	(1.2994)
Y	98.475	(98.75)
$ Index	62.5	(62.8)
Tokyo Y 98.35		

CONTENTS

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Bundesbank to abandon short-dated paper sales

By Christopher Parkes in Frankfurt

The Bundesbank is to stop issuing short-dated paper, so-called Bulis, because of a conflict between its conservative policies and the government's desire to liberalise Germany's under-developed financial markets.

The last auction of the six-month maturity Bulis will take place in September, the bank said yesterday, adding it did not want to foster "short-termism" in financial markets. The surprise move followed the loss of its long struggle to prevent the launch of money market funds in Germany.

By scrapping Bulis the Bundesbank has made sure the funds, which normally invest in short-term government and corporate bonds, have at least one less investment opportunity.

Money market funds are short-term investment accounts which offer ordinary savers a chance to "play" money markets by buying or selling units in large managed funds at will. They became legal on August 1 with the introduction of laws bringing local financial markets more into line with international competitors.

Commerzbank, Germany's third biggest commercial bank, has from the outset run an aggressive mass advertising campaign explaining to Germany's traditionally conservative savers: "In comparison with your deposit account, it means top interest rates and maximum liquidity."

The Bundesbank had blocked the funds' introduction for years because of the volatile effects they can have on money supply data, and concerns that its grip on monetary policy might be weakened.

Long-term lending and saving policies are the cornerstones of the Bundesbank's statutory mission to preserve the stability of the D-Mark. Money supply is its main inflation indicator.

The government, however, has pressed on with updating legislation blamed for hampering Frankfurt's efforts to compete on a global basis. The latest move stemmed from a Bonn initiative in 1991 to bring "Finanzplatz Deutschland" in line with international standards.

The Bundesbank's pointed statement made plain that the withdrawal of its objections to money market funds in May, after parliamentary approval became inevitable, had been merely a formality. Its reservations "basically continue to apply", it said.

"The Bundesbank therefore prefers not to offer investment facilities itself [Bulis] for money market funds nor to encourage a trend towards short-term maturities in the financial markets."

In a sharp reminder to government and other public-sector borrowers, the bank said it "assumed" they would support its long-term policy and continue financing their budgets with long-term securities.

"The bank might not be enthusiastic, but I think they can live with it," said Mr Peter Pietsch, a senior economist at Commerzbank.

Contracts with Algiers 'would be reviewed'

By Francis Ghilès in Paris

Algeria's Islamic Salvation Front (FIS), outlawed after the cancellation of elections it was poised to win in January 1992, considers all international agreements signed since then by the country's leaders to be illegal. If the FIS did come to power all such agreements, with governments and foreign companies, would, at the very least, be reviewed.

The FIS position was spelled out by Mr Rabah Khebir, the spokesman of the FIS leadership in exile in Europe, during an interview with the Financial Times. Mr Khebir, a 38-year-old professor of physics, polled 45 per cent of the vote in the eastern Algerian port of Collo in the first round of the elections in December 1991. He was subsequently jailed, and later put under house arrest from which he escaped two years ago.

"The Algerian people will not endorse agreements signed by an illegal government. That is a position of principle", he said. Contracts up for review might be suspended, if it was found that "corruption has been practised, or if the interests of the Algerian people had not been well served".

Mr Khebir insisted, however, that it was in Algeria's interest to "open its doors economically" and that the FIS wanted "to have good relations with the west". But, he added, leading western countries bore "a heavy responsibility with regard to the future course of events in Algeria".

He noted with regret that the recent Group of Seven summit in Naples had called on the military-backed regime to open a "dialogue with all components of Algerian society who reject violence and terrorism", and noted that the violence began only after the regime halted the electoral process.

At the insistence of France, last month's G7 communiqué omitted any mention of the FIS as a partner for political dialogue. A number of western companies and international banks are known to be have recently renewed contact with the FIS, something which happened regularly when it was still legal in Algeria. Mr Khebir said at least one big French company could be included in the list.

Among the more important international agreements which would be affected by a review are:

- All those contracts covering imports worth an estimated $23bn (£15bn) from January 1992 to December 1994.
- A $1bn standby credit from the IMF, agreed in April this year.
- A Paris Club agreement to reschedule this year $3.4bn of the $14.5bn Algeria owes to foreign governments. Commercial banks are expected to reschedule this autumn at least $600m of debt to them due this year.
- An estimated 20 exploration contracts signed with international oil companies. Foreign investment in new drilling is expected to grow from $199m to $234m this year, while a $1.3bn production sharing deal in an existing oil field, Rhourde El Baguel, was also signed last month between Atlantic Richfield and Sonatrach, the Algerian oil and gas state monopoly. However the new law, which liberalised the rules governing joint ventures between Sonatrach and its foreign partners, was passed by the national assembly in December 1991.
- Some of the components of the $1bn-plus project to build a gas pipeline from Algeria to Spain. Half of the value of this work, involving the laying of the pipeline under the aegis of the US contractor Bechtel, is due to start before the end of the summer.

Mr Khebir acknowledged that the US, Italy and Spain, had called on Algerian leaders to begin a dialogue with FIS, but said the French position had made matters more difficult. "I am not anti-French," he stressed. When asked if a third party could help promote a dialogue, Mr Khebir said he saw no reason why countries such as the US, Italy and Spain could not do so. France however "could not usefully play that role. Its current attitude has ruled it out."

There are three conditions made by the FIS for resuming dialogue with Gen Lamine Zeroual, the head of state. First, the release of Mr Abassi Madani and Mr Ali Benhadj, the two paramount FIS leaders, who have been held in Blida military prison since June 1991, plus guarantees of safety for all members of the FIS supreme council, 70 of whose 80 members are in Algeria. There should also be guarantees that the council could meet freely in Algeria. Any discussions with the military leaders would also include other parties in Algeria, and would lead to a resumption of the electoral process, at which foreign observers would be welcome.

Mr Khebir said Gen Zeroual's professed wish for a dialogue was at odds with the violent repression practised by the army and state security forces in recent months. He estimated the number of Algerian lives lost since January 1992 at 15,000, with a further 27,000 people held in prisons or in camps. Other opposition leaders, such as Mr Hocine Aït Ahmed, the respected leader of the Socialist Forces Front, recently put the figure of those killed at over 10,000.

The FIS spokesman warned that without a serious political dialogue, violence was bound to escalate. "The regime would be well advised to talk to us," he said. Mr Khebir noted the Islamic Armed Group (GIA) had over the past year claimed responsibility for the murder of most of the 59 foreigners who have been killed and had rejected elections. "We have always denounced the killing of foreigners," said Mr Khebir, adding that the escalation of violence made the question of who was in control of the armed groups ever more difficult.

The first unequivocal condemnation by the FIS of the killing of foreigners came in fact a month ago, and is believed by observers to be the result of the growing showdown between the GIA and the Islamic Liberation Army, which owes allegiance to the FIS. Over the past few months a number of senior FIS members switched to the GIA.

Capture of Carlos makes Pasqua's summer

France's bluff interior minister is emerging as a force to be reckoned with, writes **John Ridding**

Mr Charles Pasqua, France's bluff, gruff, interior minister, is on a roll. The arrest of Carlos "The Jackal", the terrorist who had eluded the world's security forces for two decades, represents a coup in a political career which has earned Mr Pasqua the reputation of a populist enemy of crime and terrorism.

The snaring of the Jackal followed hard on the heels of a high-profile clampdown on Islamic militants after the killing of five French citizens in Algeria earlier this month. This brought a sweeping stop-and-search operation and the internment of 26 suspected militants in a disused army barracks in north-eastern France.

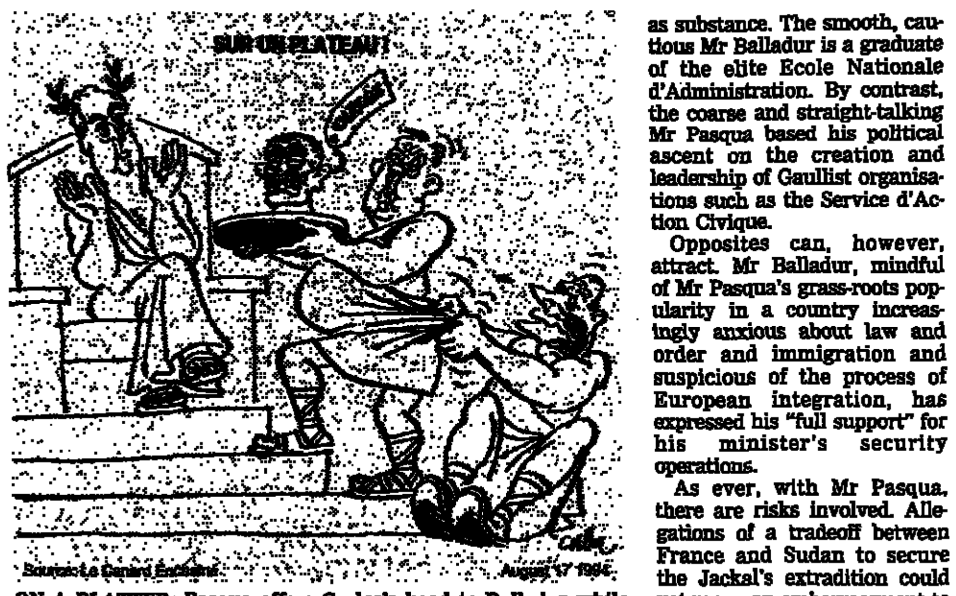
The combined effect of the clampdown and the arrest has been to thrust the interior minister to a decisive position in French politics, nine months ahead of presidential elections. With Mr Edouard Balladur, the prime minister, and most other cabinet members on vacation, Mr Pasqua has been *de facto* leader of the centre-right administration, trampling on the territory of colleagues such as Mr Alain Juppé, the foreign minister. Referring to his rise, the French press have dubbed the past few weeks "the summer of Pasqua".

Mr Pasqua's influence is set, however, to last well beyond the summer to next spring's presidential poll. His exploits have prompted speculation that he himself could run for the presidency. "It is very possible that Pasqua could be interested in the election," says one member of the UDF, the junior partner in France's centre-right coalition.

Mr Pasqua, who would be trusted as president by 30 per cent of voters, according to a poll this week by the CSA institute, has been untypically guarded about his ambitions. "With political ideals based on those of Charles de Gaulle, one doesn't act on the basis of personal interests but on the basis of the national interest," he told Agence France-Presse, the French news agency, at the beginning of the month.

For most observers, however, Mr Pasqua is much more likely to be a kingmaker than a candidate in the elections to succeed Socialist President François Mitterrand. Both Mr Balladur and Mr Chirac, who are currently shadow-boxing in their quest to represent the Gaullist RPR party, will need to court the support of Mr Pasqua in their bids for the Elysée. As a reward, Mr Pasqua may be hoping to be selected as prime minister.

The importance of Mr Pasqua's support lies in his populist appeal to traditional Gaullist voters. His tough stance on crime and his opposition to the creation of a federal Europe, means he can deliver the votes of many who might be tempted to back the National Front party of Jean-Marie Le Pen, or of those attracted to Mr Philippe de Villiers, the Eurosceptic who shocked the French political establishment by winning 12 per cent of the vote in this year's European elections.



ON A PLATTER: Pasqua offers Carlos's head to Balladur while Chirac tries to hold him back

For Mr Balladur and Mr Chirac, however, harnessing Mr Pasqua is a tricky task. Although he was an ally of Mr Chirac, under whom he served as interior minister between 1986 and 1988, relations between the two have become strained. In particular, Mr Pasqua felt snubbed by Mr Chirac's failure to back him in opposing the Maastricht treaty on European union.

In the case of Mr Balladur, there is a clash of style as well as substance. The smooth, cautious Mr Balladur is a graduate of the elite Ecole Nationale d'Administration. By contrast, the coarse and straight-talking Mr Pasqua based his political ascent on the creation and leadership of Gaullist organisations such as the Service d'Action Civique.

Opposites can, however, attract. Mr Balladur, mindful of Mr Pasqua's grass-roots popularity in a country increasingly anxious about law and order and immigration and suspicious of the process of European integration, has expressed his "full support" for his minister's security operations.

As ever, with Mr Pasqua, there are risks involved. Allegations of a tradeoff between France and Sudan to secure the Jackal's extradition could yet prove an embarrassment to the prime minister and his hardline colleague. The clampdown on Moslem militants could prompt reprisals from extremist groups. In expressing his support for Mr Pasqua, however, Mr Balladur is aware that he may be an abrasive ally, but he is certainly a dangerous opponent.

Ultra-nationalists win seats in Romanian government

By Virginia Marsh in Bucharest

Romania's left-wing minority government has given cabinet posts to two members of the country's leading ultra-nationalist party, in an attempt to boost its position in the country's hung parliament.

It has appointed Mr Valeriu Tabara to the Agriculture Ministry and Mr Adrian Turicu to Communications. Both men are members of the Romanian National Unity Party, an anti-Hungarian and nationalist organisation based in Transylvania, Romania's ethnically mixed western province.

The formal inclusion of the RNUP in the cabinet had long been expected. The party holds a pivotal 10 per cent of seats in the parliament.

The ruling Party of Social Democracy, which includes many senior former Communists, has relied on the RNUP's support in parliament to stay in power since narrowly winning general elections in September 1992.

Until now, the PSD had offered the RNUP junior ministerial and local government posts in return for its support. The latest move comes as the government is completing plans for a controversial mass privatisation programme which it hopes to present to parliament as soon as it reconvenes after the summer recess in two weeks.

The RNUP had indicated it would oppose the programme and withdraw its support for the government unless given ministerial posts, diplomatic sources said.

Pro-reform opposition parties said yesterday the move was a setback for democracy and risked increased inter-ethnic tension in the country, which has large ethnic Hungarian and gypsy minorities.

Western diplomats and businessmen in Bucharest said the appointments were likely to damage further Romania's already poor image in the west.

"They have brought members of a neo-Nazi party into the government. This is terrible for us – it will only deter foreign investors and lenders even more," one local businessman said.

The two new ministers come from the RNUP's more technocratic wing. Mr Turicu comes from the state telecommunications company, while Mr Tabara is an MP and a university lecturer in agriculture. He replaces Mr Ioan Oancea, who has been attacked in the local press for alleged inefficiency and corruption.

Swedish opposition in pledge to stabilise debt

By Hugh Carnegy in Stockholm

Sweden's opposition Social Democratic party last night pledged to stabilise the country's mounting state debt during the next four-year government term, outlining for the first time a detailed programme of tax increases and spending cuts to reduce the budget deficit.

"The goal is unambiguous," said Mr Ingvar Carlsson, party leader. "The budget deficit will be reduced and the state debt stabilised during the mandate period. We will not accept cutting the deficit or the debt through increased inflation."

The Social Democrats hold a clear lead in the opinion polls ahead of next month's general election and had been under strong pressure from the financial markets to publish a credible fiscal plan. Earlier this week, the Swedish krona fell to record lows against the D-Mark and long-term interest rates surged over 12 per cent when the party suggested it would not produce a detailed programme before the poll.

Mr Göran Persson, shadow finance minister, responded by presenting proposals to strengthen the budget by SKr61bn (£5.06bn) during the new government's term. The election manifesto had been delayed until after the markets closed yesterday for fear of sparking further turbulence.

The plan is more detailed but less ambitious than the programme of SKr101bn savings by 1999 proposed by Prime Minister Carl Bildt's centre-right coalition to tackle a deficit which in the last budget year reached more than SKr200bn, 13 per cent of gross national product. It also emphasises tax increases more than the government.

Mr Persson said the Social Democrats would take tougher measures if a fall in unemployment, currently around 14 per cent, and higher growth did not materialise to help slim the deficit. The Social Democratic plan includes an increase in revenues of SKr27.4bn from higher taxes. Most would come from higher health insurance contributions by ordinary taxpayers, producing extra revenues of SKr15bn. The rest is made up of higher marginal taxes for high earners, increased wealth and capital taxes and the restoration of taxes on dividends, a measure which was scrapped by Mr Bildt's government.

The party plans savings in public spending – which at present accounts for 70 per cent of GNP – of SKr33.6bn through trimming welfare provisions such as some childcare benefits. SKr19bn of these savings is projected to come through lower indexation and interest costs.

The Social Democrats, trying to balance the demands of their big constituency in the public sector and the urgent need to stem a public debt soon to account for more than 100 per cent of GNP, will be hoping their proposals will calm the markets on Monday. But last night both Mr Bildt and the Federation of Swedish Industries said the plan contained too many tax increases and too few spending cuts.

NEWS IN BRIEF

California ruling on insurance row

The California Supreme Court has ruled that insurance companies must pay rebates to millions of car and home insurance policyholders, to implement Proposition 103, a 1988 "insurance revolt" ballot measure, writes Louise Kehoe in San Francisco. The ruling appears to end six years of wrangling over the constitutionality of Proposition 103, which called for insurance companies to lower their premiums and submit to a state-regulated system for approving increases.

The court ruled that a formula for calculating property and casualty rate reductions devised by Mr John Garamendi, state insurance commissioner, does not violate the constitutional rights of insurance companies. The ruling was on a test case involving 20th Century Insurance, which will now be required to make refunds of $119m. Mr Garamendi said 35 insurance companies, including several of the largest, had already refunded $800m to 6m Californians. He expects companies that still owe an estimated $1.5bn in rebates to "move ahead expeditiously".

German tax on litter cleared

Germany's city councils will be able to levy taxes on fast-food chains as a means of reducing litter caused by wrapping, following a decision yesterday by the Federal Administrative Court in Berlin, writes Judy Dempsey in Berlin. The court ruled in favour of the city of Kassel, which in 1992 imposed a 50 pfennig (20 pence) tax on each disposable item made from synthetic material. McDonalds and other fast-food outlets in Kassel had challenged the decision on the grounds that the federal government, not local councils, had sole right to raise taxation. The Kassel authorities, which have raised DM1m a year through the surcharge, wanted to reduce the city's 500m tonnes a year of rubbish.

Tight budget for Finland

Finland's three-party centre-right government yesterday set a tight budget for 1995, alleviating fears that surging economic growth and a looming election might lead to relaxation of its tough fiscal strategy, writes Christopher Brown-Humes in Stockholm. Spending is to be held at FM180bn (£22.5bn), excluding FM15bn in outlays linked to possible membership of the European Union. But it will mean a further round of heavy cuts and restructuring of the Finnish public sector. The budget forecasts a general government deficit of FM25bn, or 4.5 per cent of GDP, and a net borrowing requirement of FM60bn, or 11 per cent of GDP.

French industry output slips

French industry suffered a slight setback in June, when production fell 0.8 per cent from May, according to Insee, the state statistics institute, writes Alice Rawsthorn in Paris. But economists were confident this was just a seasonal glitch which would not impede continuing recovery of French industry and the rest of the economy. The overall decline in industrial production disguised a sharper 1.3 per cent fall in manufacturing output. One of the weaker areas was motor vehicles, reflecting the end of government initiatives to encourage consumers to trade in old vehicles for new models.

Russia warns Afghanistan

Clashes on the Tajik-Afghan border, leaving at least seven Russian soldiers dead and 13 wounded, have provoked friction between Moscow and Kabul, writes John Thornhill in Moscow. The Russian Foreign Ministry yesterday warned the Afghan government to stop encouraging armed incursions by Tajik opposition forces. Russian news agencies reported 200 Tajik militants, supported by Afghan mujahideen, crossed into Tajikistan on Thursday night and attacked Russian border posts. Russian troops are stationed there under an agreement with Tajikistan.

White House drops 30-year-old policy of preferential treatment to try to 'demagnetise' US

Clinton orders ban on Cuban refugees

By George Graham in Washington

President Bill Clinton yesterday ordered that illegal refugees from Cuba should not be allowed to enter the US, and that US citizens who tried to help them at sea would be prosecuted.

At a news conference to explain his administration's about-turn in policy towards Cuban refugees, Mr Clinton said Cubans picked up in international waters would be taken to Guantanamo Bay, the US military enclave on the island of Cuba, just as refugees from Haiti are.

Abruptly reversing 30 years of preferential treatment for Cuban refugees, administration officials said they wanted to "demagnetise" the US and deter people from attempting the dangerous sea crossing to escape from the regime of President Fidel Castro. Mr Clinton harshly criticised Mr Castro for attempting "to export to the US the political and economic crisis he has created in Cuba".

Ms Dee Dee Myers, the White House press secretary, said the move was intended to "keep people from taking to the seas in unseaworthy vessels in dangerous circumstances".

"Cubans should know that as of now no Cubans picked up by the Coast Guard will be brought to the US," she said.

Cubans have always been afforded special immigration treatment because of the US's long ideological feud with their communist government.

But the policy has exposed successive administrations to charges of double standards and racism, since poorer and blacker Haitians faced much harsher treatment. Mr Clinton criticised his predecessor, President George Bush, for his policy of returning Haitian boat people to their country, but then adopted it himself when he took office. He has wrestled with the problem ever since, and has yet to find a satisfactory solution.

While a law passed in 1966 *forbids the administration to* return Cubans to their island, it does not prohibit their detention in camps such as Guantanamo.

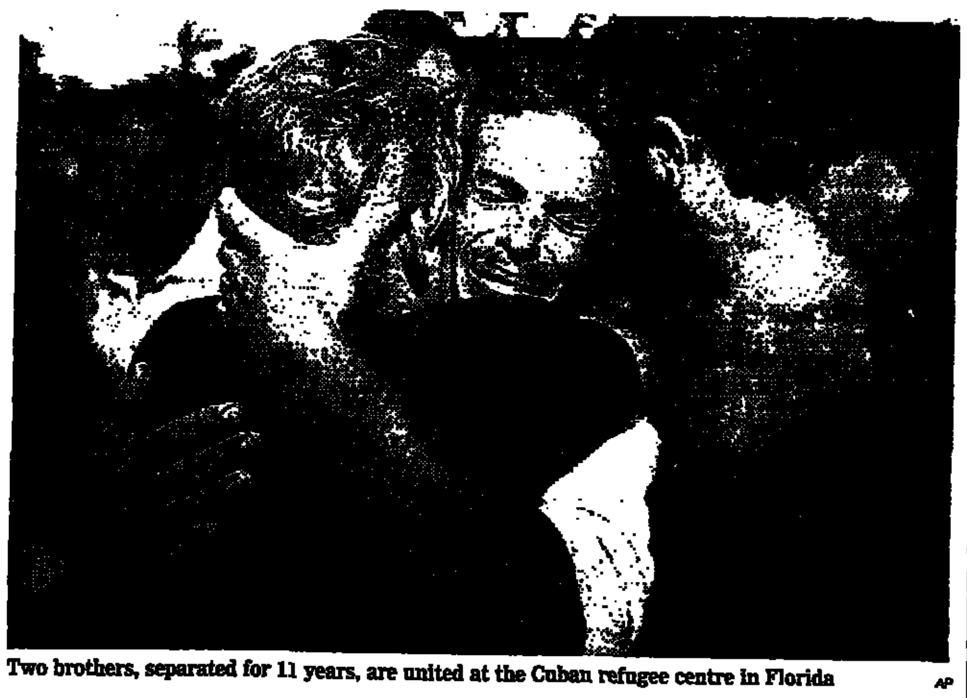
"Certainly Cuban refugees will be treated humanely, and those who have *legitimate* fears of political persecution can apply for refugee status through the in-country system in Havana," Ms Myers said.

Ms Myers said yesterday that Mr Clinton had made clear that "one, Fidel Castro will not *dictate immigration* policy here in the United States, and two, the president will not permit a repeat of the 1980 Mariel boatlift", when more than 100,000 Cubans fled the island in a matter of months.

After Attorney General Janet Reno, who oversees the immigration services, announced the change of policy on Thursday night, Governor Lawton Chiles of Florida welcomed the new policy.

"It allows us to make sure these people get the proper health screening, that other screening is done... right now, we don't know who is coming in," he said.

Mr Chiles says his state has been overwhelmed with the influx of refugees, and had asked the president to declare a state of emergency.



Two brothers, separated for 11 years, are united at the Cuban refugee centre in Florida AP

US healthcare 'coalition' underscores rift

By George Graham

A group of centrist Republican and Democratic senators met yesterday *morning to try to hammer out* a bundle of amendments to the US healthcare reform bill proposed by the Democratic leadership in Congress and backed by President Bill Clinton.

The senators, who like to call themselves the "mainstream coalition", have presented their work as the last serious chance to get a sensible, bipartisan healthcare reform bill this year.

But their deliberations have merely underlined the deep divisions over the health issue, and highlighted the possibility that apparently modest, incremental reforms may end up costing more than the more thorough reorganisation backed by Mr Clinton.

Senator John Breaux, a right-wing Democrat from Louisiana who is one of the group's leaders, acknowledged he and his colleagues had been unable to agree on a "full-fledged health reform bill", and had had to limit themselves to a bundle of amendments to the bill proposed by Senate majority leader George Mitchell. But even that scaled-down effort had to be revised drastically at the last minute when the Congressional Budget Office, the independent agency that has the task of analysing the costs and effects of the various competing healthcare reform plans, warned that their cost estimates were as much as \$300bn (£193.5bn) off the mark.

The "mainstream coalition" plan takes as its starting point a proposal agreed by the Senate finance committee, which also served as the basis of Senator Mitchell's bill. That is the aim of achieving health insurance for 95 per cent of the US population by the year 2001.

But where the *Mitchell plan* includes a fallback mechanism, in case that goal is not met, under which employers would be compelled to pay half of the cost of their workers' insurance, the "mainstream coalition" proposes a softer fallback: a commission that would suggest improvements if the plan fell short of 95 per cent coverage.

The group, whose membership has fluctuated between seven and 15 senators, was due to discuss its amendments yesterday morning with Senator Mitchell and then with Senator *Robert Dole, the Republican leader*, before making the plan public.

But the frustrations that the senators have experienced in finding common ground may strengthen the hand of the right-wing Republicans who are fighting against any healthcare reform. Some centrist Democrats have concluded that the exercise is so bogged down that there is now no realistic chance of achieving responsible reform this year.

Mexican poll officials voice concern

By Damian Fraser and Stephen Fidler in Mexico City

MEXICAN ELECTIONS

Mexico's independent election magistrates have sharply criticised the government for dragging its feet in implementing key aspects of the country's new electoral law, underscoring concerns over the fairness of tomorrow's presidential poll.

The election magistrates, who were approved by all the political parties and have a controlling vote on the board of the Federal Electoral Institute, publicly attacked the Attorney-General's Office for not giving more support to the special prosecutor for electoral crimes.

The prosecutor has received 237 complaints of electoral violations, but has examined only 67 of them and fully resolved only one case, finding a school director and congressional candidate not guilty.

"It is unthinkable that the prosecutor does not have his budget," said Mr Santiago Creel, one of the six magistrates. "This is undermining confidence in the system."

The Interior Ministry responded to the criticisms by promising that all allegations would continue to be dealt with after the election and by increasing resources available to the prosecutor's office.

While tomorrow's poll is expected to be the cleanest in Mexico's history, observer groups and the election magistrates have complained the government has not fully complied with a *democratic accord* reached between the main political parties earlier this year. Apart from limited efforts by the special prosecutor, they point to the highly favourable coverage the ruling party continues to receive on television and seemingly unlimited financial resources at its disposal.

The ruling Institutional Revolutionary party goes into the election strong favourite to win. However, Mr Cuauhtemoc Cárdenas of the leftist opposition warned *yesterday* that there would be "confrontation" if the elections were not clean. Government officials are concerned Mr Cardenas will declare the election fraudulent in the course of tomorrow's polling.

The electoral magistrates are concerned that the proliferation of exit polls and quick counts of representative votes may contribute to confusion in the hours after the polls close. The magistrates have urged that such results not be released until the electoral institute's own figures are published.

Mr Creel sharply criticised television and radio for not covering the campaign in a more balanced way in recent weeks. "We have seen a clear reversal of the advances we had in the media," Mr Creel said.

Court signals turning point in asbestos saga

Agreement could provide model for broader settlement of litigation, says **Richard Lapper**

Asbestos-related legal action will not end with the approval this week in a Philadelphia federal court of a \$1.3bn (£844m) settlement for future victims – but the deal could be a turning point in a saga that has already cost more than \$10bn.

It is the biggest success yet enjoyed by the Centre for Claims Resolution, an asbestos industry body formed in 1988 to rationalise litigation and curb rising legal costs.

The agreement provides compensation over the next 10 years for an estimated 100,000 future victims of mesothelioma – a virulent cancer of the lining of the lung – and other asbestos-related diseases. Any victim who had not filed a claim before January last year, when negotiations on the deal began, and who contracts an asbestos-related disease can claim, with individual payouts ranging from a maximum of \$200,000 for victims of mesothelioma to as little as \$2,500 for victims of non-malignant asbestos-related diseases.

But the deal could provide a model for a broader settlement of asbestos litigation. The 20 former asbestos companies backing the centre account for only 20-25 per cent of the US asbestos industry, which is now largely defunct. Nor does the deal affect any of the 200,000 legal claims filed before January 1993.

Mr Lawrence Fitzpatrick, chief executive of the centre, says that other former asbestos producers currently not party to the agreement have already shown interest in joining an expanded "second wave" scheme.

The willingness of some of the lawyers *representing* potential victims to agree the deal also signals the possibility of broader agreement.

However, other lawyers have indicated their intention to appeal the judge's decision to approve the scheme. They argue that it effectively denies legal rights to some victims and that the level of awards is smaller than would be possible through court proceedings.

Critics also say that if the number of claimants rises above the centre's estimates over the next 10 years, more money will be needed. "The agreement doesn't provide legal finality. Asbestos could still rear its ugly head in 2005," said Mr Randolph Fields, a US insurance lawyer.

At the same time the settlement cases will have no direct effect on claims against asbestos companies over their liability for the cost of removing asbestos from buildings, so-called "asbestos property damage".

T&N, once the UK's largest asbestos producer and now a leading manufacturer of motor components, faces a \$185m legal suit from Chase Manhattan Bank in one of the biggest of these cases. Chase is seeking \$85m in damages in relation to removal of asbestos from its headquarters in down-town New York and a further \$100m in punitive damages.

T&N also faces the prospect of legal action by New York's Port Authority over asbestos used at the World Trade Center and La Guardia airport.

Moreover there is also the prospect of continuing legal action by victims of asbestos-related diseases outside the US. Solicitors specialising in personal injury litigation in the UK, for example, say that the number of their asbestos-related cases has doubled over the last four years. Producers and manufacturers also face legal action elsewhere, notably in Australia.

According to the National Safety Council of Australia (NSCA), Australian state governments, companies and insurers could already face A\$1bn (£480m) in liabilities.

The attitude of insurers, who will fund about two thirds of its cost, to the settlement could also complicate matters.

Insurers might be expected to welcome the deal which will bring a greater degree of certainty about the size of claims which they face. Because claims emerge many years – sometimes decades – after the inception of an insurance policy, it can be difficult for companies to calculate the size of the reserves needed. "You are always better off dealing with a finite number. This had the potential to be very costly for the industry," said Mr Steve Goldstein, vice-president of the Insurance Information Institute of New York.

However, Mr Fields claims that a global settlement involving all asbestos producers could actually damage the position of insurance companies, since it would effectively crystallise claims which would otherwise only emerge over many years. "The impact is difficult to predict. It could bring forth even more claims," he says.

In some cases, insurers are resisting claims by asbestos producers and manufacturers in the courts.

Finally, the relief offered to the hard-pressed Names of Lloyd's will be limited. Lloyd's said yesterday that its exposure to companies involved in the settlement was minimal and that any real benefit would depend on the extension of the scheme. Many of the same syndicates are also exposed to multi-billion dollar pollution claims which, observers believe, could have a bigger impact on the market than the asbestos claims.

The 20 companies which have formed the Centre for Claims Resolution, based in Princeton, which is pursuing the class action are:

Amchem Products
AP Green Industries
Armstrong World Industries
CE Thurston
CertainTeed
Dana
Ferodo America
Flexitallic
GAF
IU North America
Maremont
Asbestos *Claims Management (formerly* National Gypsum)
National Services Industries
Norsoc
Pfizer
Quigley
Shook and Fletcher Insulation
T&N
Union Carbide Plastics
United States Gypsum.

Under the class action currently being heard, the 20 companies would together pay about \$1bn (£650m) over 10 years to settle asbestos cases awaiting adjudication in state and federal courts.

Under the proposed settlement the companies would pay sufferers of asbestos-linked diseases \$5,800 for non-cancerous disorders to \$60,000 for lung cancer. Only those with symptoms would qualify.

Victims of asbestos-linked diseases who opted out of the settlement procedure may still pursue legal action. There are, however, understood to be some 100,000 outstanding cases awaiting a hearing, with courts in most states only now dealing with claims filed in the 1980s.

All federal lawsuits are understood to have been on hold since 1992 because of the legal logjam.

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India completes key reform of currency

By Shiraz Sidhva in New Delhi

The Indian rupee will today become convertible in all current account transactions, in a further easing of currency regulations announced yesterday by India's central bank.

The move will give India Article VIII status in the International Monetary Fund, which is a fundamental indicator of "good standing" in the fund.

The change is an important part of the liberalisation programme of Prime Minister P V Narasimha Rao's government. It also marks a significant change both for Indians and for international investors.

Although India introduced convertibility on its trade account in March 1993, benefiting exporters and importers of goods, Indians have continued to experience severe restrictions on travel and the purchase of most foreign services. Equally, investors have been constrained in the repatriation of dividend and interest income.

Indian citizens travelling abroad for personal reasons were allowed only $2,000 (£1,300) a year, and all Indians had to get permission from the Reserve (central) Bank to buy foreign exchange for business travel, medical treatment or studies abroad.

With yesterday's decision to extend convertibility to the entire current account, these restrictions have been lifted and the Reserve Bank has delegated powers to authorised dealers to release foreign exchange to Indian citizens.

The bank has set nominal limits on the release of foreign exchange, but yesterday emphasised that *bona fide* requests for additional exchange facilities would be cleared.

Non-resident Indians will also now be able to repatriate earnings from investments in India, including the interest accrued on previously non-repatriable rupee deposit schemes for expatriate Indians, which will be eligible for repatriation from the quarter beginning October 1 1994. The principal amount of these deposits will remain non-repatriable, but no fresh deposits will be accepted from today.

The bank said income on investment by non-resident Indians would be repatriable in a phased manner over a three-year period. Up to $1,000 would be remittable in 1994-1995. On amounts exceeding $1,000, one-third of the annual income earned during 1994-1995 would be remittable, two-thirds in 1995-1996, and the entire income from 1996-1997.

In general, restrictions on capital transactions remain. But "India has taken one more giant step towards full convertibility of the rupee on the capital account", said a Finance Ministry official, although he emphasised that that was still at least two years away.

"The finance minister [Mr Manmohan Singh] has kept the promise he made in his budget speech that the rupee would be fully convertible on the current account before the year was out," he said.


Narasimha Rao: liberalisation

The improvement in India's balance of payments, with the current account deficit declining from $10bn in 1990-1991 to $0.8bn in 1993-1994, and a rise in foreign exchange reserves to $21.4bn from just $1.1bn in June 1991, have allowed the Reserve Bank to relax the foreign exchange restrictions.

These improvements have been brought about by an export recovery, the decline of non-oil imports, foreign investment in stock markets and the raising of funds through Euro-issues.

PM pledges to end civil war

By Stefan Wagstyl in Colombo

Mrs Chandrika Kumaratunga, sworn in as prime minister of Sri Lanka yesterday after winning this week's general election, pledged to try to end the civil war in the north of the island, where government troops are fighting separatist Tamil Tiger guerrillas.

She plans to approach the Tigers and other groups to discuss a settlement of the fighting, which has claimed over 30,000 lives in the last 17 years. "We have to tread very carefully, but we intend to start on a solution soon," she said.

Mrs Kumaratunga also pledged to follow free market policies with "the private sector as the main motor" of the economy. She wished to assuage fears that her People's Alliance, a centre-left coalition which has ended 17 years of conservative rule, might favour greater intervention in the economy.

Her other listed priorities were constitutional reform, including curbing the powers of the executive president, a drive against corruption, and an investigation into the deaths of thousands of people who disappeared during the civil war in the north and during a nationalist insurgency in 1988-90 in the south.

Mrs Kumaratunga is to keep the finance portfolio for herself. Her foreign minister is Mr Lakshman Kadirgamar, a UK-trained lawyer. Mrs Kumaratunga has no cabinet post for her 78-year-old mother, Mrs Sirimavo Bandaranaike, the former prime minister.

Mandela rejects Lesotho force

Leaders in South Africa and Zimbabwe yesterday rejected military intervention in Lesotho, where the king has claimed control over the elected government, Reuter reports from Cape Town.

Presidents Nelson Mandela of South Africa and Robert Mugabe of Zimbabwe said they would first pursue diplomatic efforts to end the crisis in the small mountain state of 1.8m people, which is entirely surrounded by South Africa.

The military option "was discussed, but we decided we should concentrate on peaceful methods to try to resolve the situation," Mr Mandela said.

His remarks were echoed by Mr Mugabe, who wanted "the people of that country being brought to a conference table to discuss their differences".

An appointed provisional government was yesterday sworn in to rule Lesotho in place of the democratically elected parliament dissolved by the king, and one man was reported killed when police fired on demonstrators.

Mr Mandela said he was particularly concerned that the conflict in the former British colony might spill over into South Africa, where many Lesotho residents have relatives.

King Letsie III issued a proclamation on Wednesday dissolving parliament and the cabinet of Prime Minister Ntsu Mokhehle, whose election in 1993 ended seven years of military rule. The monarch apparently plans to hand the country back to his father, deposed in a military coup in 1990.

Africa's delinquent debtors fall in line

By John Plender

The African Development Bank is forecasting a big reduction in its loan arrears following this year's introduction of tougher sanctions against delinquent borrowers, said Mr Babacar Ndiaye, the bank's president, in London this week.

The bank has been under pressure from its first world shareholders to tackle mounting arrears following a report by external consultants, which called for a shake-up to address deficient lending procedures and chaotic management. Arrears at the end of August were expected to be down by about a quarter from the 6.6 per cent of outstanding loans recorded at the end of 1993, said Mr Ndiaye, despite having risen sharply in the first half of the year.

Cameroon, one of five bank debtors in chronic arrears, had already cleared its backlog, he said, and another, Congo, would have done so by the end of August. The bank's other delinquent debtors are Zaire, Liberia and Somalia.

The bank's OECD members have held up replenishment of the bank's soft loan arm, the African Development Fund, pending evidence that these problems are being tackled.

Earlier this year Mr Ruud Treffers, the Dutch co-ordinator for the soft-loan replenishment, warned that the arrears could threaten the bank's financial viability. Such warnings prompted concern in South Africa – which the bank is anxious to bring in as a large shareholder and borrower. Mr Ndiaye has sought to allay such fears in a trip to South Africa. He has been helped by leading rating agencies, which have renewed the bank's Triple A rating for its senior debt.

The bank has also introduced tougher loan loss provision policies, a new organisational structure has been planned and steps have been taken to bolster reserves.

The bank's president said he was optimistic the deadlock over replenishment, which has disrupted the work of the African Development Fund, could be resolved. He believed the bank had gone a long way towards meeting demands tabled by the fund's donors in May.

African member countries nonetheless remain unhappy about the proposed level of replenishment, which reflects budgetary constraints in the donor countries more than any assessment of Africa's needs. Mr Ndiaye called for an increase in the level of replenishment in the light of the measures taken by the bank.

A consequence of the tougher policy on provisions is likely to be a reduction in the current year's income. Like other financial institutions the bank has also suffered losses on its bond portfolio in the first quarter of the year.

Hong Kong tycoons face property probe

Louise Lucas on claims of collusion at a sale

In coming weeks, many of Hong Kong's rich and powerful will be paying a visit to the dingy offices of the Independent Commission Against Corruption (ICAC), the government body charged with stamping out corruption in the colony.

The subject matter, privately described as "cheating the government out of HK$2bn" (£167m) falls under the prevention of bribery ordinance.

The investigation, sparked by public complaints, follows a land auction on May 26 at which developers are alleged to have colluded to secure two properties at bargain prices.

The probe will seek to establish whether the auction was rigged: that is, to discover if any developers may have offered rival companies an option to share a stake in a particular property at a "controlled" price rather than letting true competition take its course and allow the highest bid to win ownership.

Investigators have spent several weeks talking to observers at the auction, including analysts and reporters, with the result that one Hong Kong newspaper, Ming Pao, is also now being investigated. The newspaper is alleged to have breached section 30 of the prevention of bribery ordinance, which makes it an offence to disclose the identity and details of persons being investigated. Ming Pao says the public had a right to know.

A video tape played to millions of television viewers that evening shows clearly the movement of developers during the auction, which one analyst said was blatantly rigged. Another described the developers as "buzzing around like besuited flies".

The two plots of land were subsequently snapped up at prices sharply below market expectations. The main site, a 233,000 sq ft plot in Fanling earmarked for luxury low-rise homes, went for HK$2.04bn to a consortium including Sun Hung Kai Properties, Nan Fung Development, Sino Land, DBS Land, Cheung Kong, Paliburg Development, Hang Lung Development, Swire Properties, Henderson Land, Kerry Properties and New World Development. The price compared with expectations in the range of HK$3bn to HK$4bn.

The second plot, 63,000 sq ft in Yuen Long, also in the New Territories, went for HK$510m to a consortium of 14 developers, as against an expected HK$700m to HK$1bn.

Earlier in the day, representatives of many of the same companies met at the City Hall coffee shop. All were Hang Seng Index constituent stocks and boasted a combined value of more than HK$400bn.

Auctions in Hong Kong are generally considered too important to leave in the hands of underlings, and those at the table were mostly tycoons such as Mr Thomas Kwok, managing director of Sun Hung Kai Properties and, with his family, the group's senior shareholder; Mr Albert Chow, deputy managing director of Mr Li Ka-shing's Cheung Kong; and Mr Ronnie Chan, chairman of Hang Lung Development.


Governor Patten pledged to tackle property prices Ashley Ashwood

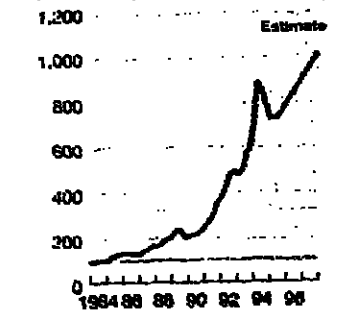
Technically, those found guilty of the Section 7 bribery in relation to auctions offences can face a maximum fine of HK$500,000, a seven-year prison sentence, and an order to pay an amount, the equal or part of, the advantage received – which in this case could as high as HK$2bn.

In practice, this is a case with scant precedent. Of the handful of auction bribery cases that have come before the commission only one has resulted in a prosecution. That case, more than five years ago, involved hawkers who colluded at a government auction of market stalls and were fined a few hundred HK dollars.

But property prices are a political minefield in Hong Kong at the moment. The developers' immediate reason for the jumbo consortium was that it was a means of spreading risk – the uncertain property environment, generated by the government's pledge to cool prices, prevented any one of them making such a sizeable investment on their own.

Mr Chris Patten, the governor, signalled his intention to tackle property prices in March. In June, the government announced an increase in the supply of land for residential development and changes to the way builders bring properties to market. These measures slashed the proportion of flats allocated to insiders, such as staff and associates. Analysts doubt whether the measures will take much more than 10 to 20 per cent off property prices this year: a small cut given the 200 per cent leap that has driven the market in the past three years. However, at the time of the May auction the measures had not been announced, and the developers

Hong Kong property
Residential price index, 1984 = 100



Source: Datastream, Jones Lang Wootton

claimed caution was necessary.

The probe also calls into question the government's own handling of the May 26 auction. While some believe the auction ought to have been nullified on the spot, given the mass of activity on the auction floor, the government's immediate response was to express satisfaction: the properties had, after all, gone for prices above the opening bids.

Later came a promise to look into the auction, which resulted in some mild restrictions, mainly hampering movement around auction halls.

When Mr Tony Eason, secretary for planning, environment and lands, briefed a select group of stock analysts and property agents on the measures, before presenting them to the Legislative Council, relief at their lack of severity sent the futures index soaring 200 points in the final 45 minutes of trading.

This caused the government further embarrassment, as brokers not invited to the briefing complained that their more privileged peers had a chance to act on the news while the market was open. Mr Eason claimed the briefing had contained nothing which could be regarded as market sensitive.

However, with the June property measures now announced, the May 26 auction has left the government having to address a whole new furore in the property market.

UN in Vatican's firing line

Andrew Hill examines the furore over a population conference

Pope John Paul II has just begun 10 days' holiday in Italy's Valle d'Aosta. He probably needs it.

Not only is he recovering from an operation on his leg and planning a visit to the former Yugoslavia, he is also in the front line of one of the fiercest diplomatic and ideological battles fought by the Vatican in recent years, a battle which concerns, according to the pontiff himself, "the very future of humanity".

The occasion for this struggle is the United Nations' international conference on population and development, in Cairo next month. The Pope's principal concerns are what his envoys have described as an assault on the family, and an attempt by certain UN members to give new legitimacy to abortion and artificial contraception.

The Roman Catholic church's position on abortion is well known and fixed. The Pope described abortion as "a heinous evil" when he met Ms Nafis Sadik, the conference secretary, in March.

But rather than relying on church hierarchy to pass on its message, the Vatican is using its own diplomatic network, and privileged position as an independent state and UN member, to influence the outcome at Cairo.

The offensive started in March when ambassadors accredited to the Holy See were invited to a meeting to hear the Vatican's tough line on the conference. The day after Ms Sadik's visit to Rome, the Pope also drafted a letter to leaders of all UN countries, outlining his fears that if certain "innovations" in the draft conclusions prepared for the Cairo conference were adopted, they "could cause a moral decline resulting in a serious setback for humanity, one in which man himself would be the first victim".

The Pope will go ahead with plans to visit Sarajevo on September 8 even though Bosnian Serb leaders warned that his security could not be guaranteed, writes Laura Silber in Belgrade. The visit is intended to show solidarity with the inhabitants of the Bosnian city, whose population of 525,000 was about 7 per cent Catholic before the outbreak of war.

Mr Radovan Karadzic, Bosnian Serb leader, said the papal visit would not get consent because of security concerns. "The Moslems can shoot him down and accuse the Serbs. That would be terrible for the Catholic world. That would be disastrous."

The Vatican has already abandoned plans to visit Belgrade, the Serbian capital, after the Serbian Orthodox Church refused to receive the pontiff. The Pope will visit Zagreb, the capital of Croatia, on September 10.

The Vatican's main fear is that UN members will try to undermine the conclusions of the last world population conference, in Mexico 10 years ago, that abortion should never be promoted as a means of birth control. The US is a particular target for Vatican pressure, as President Bill Clinton, although opposed to abortion as a method of family planning, has come out in favour of women's right to choose – a position underlined at a tense meeting with the Pope in June.

That was the highest-profile diplomatic summit organised by the Vatican, but envoys have also been hard at work attempting to enlist support from smaller UN members, including some outside the Catholic and even Christian faiths.

The Holy See will only admit to having received the backing of President Carlos Menem of Argentina, who has publicly declared his willingness to push the Vatican line with pro-choice Latin American countries such as Brazil. According to Italian reports, however, the Vatican can count on the support of a core of African countries such as the Ivory Coast and Senegal, and has also been courting Islamic nations in Africa and the Middle East.

In addition, the Vatican is applying pressure closer to home, in Italy itself. Abortion is legal in Italy in certain circumstances, but the issue bubbled to the surface last week – creating further tension within Mr Silvio Berlusconi's fractious ruling coalition – when Mr Altero Matteoli, the environment minister who will be part of the Italian conference delegation, equated abortion with murder in an interview with Vatican radio. In the weekly news magazine Panorama Mr Antonio Martino, Italy's foreign minister, said the Italian conference position "would take account of all the orientations and sensitivities which exist in Italian society".

Only at the conference itself will the effect of the Vatican's diplomacy be obvious. The Holy See refused to comment this week on Italian newspaper claims that the UN excised most references to abortion from its annual population report, released on Wednesday, to avoid offending the Vatican and its allies. The Vatican delegation's most potent weapon at the conference is likely to be a threat to torpedo consensus on the final conclusions, risking an acrimonious end to proceedings.

As Mr Joaquin Navarro-Valls, the Vatican spokesman, told a news conference last week: "There are not many points on which we disagree but the point is that on some occasions the disagreement is very profound... If a consensus is reached in Cairo, which will be what almost everyone is expecting, certain positions have to change regarding the consideration of abortion as a means of family planning. The other possibility is to approve the [final] document without consensus, without unanimity. Nobody will be pleased with that."

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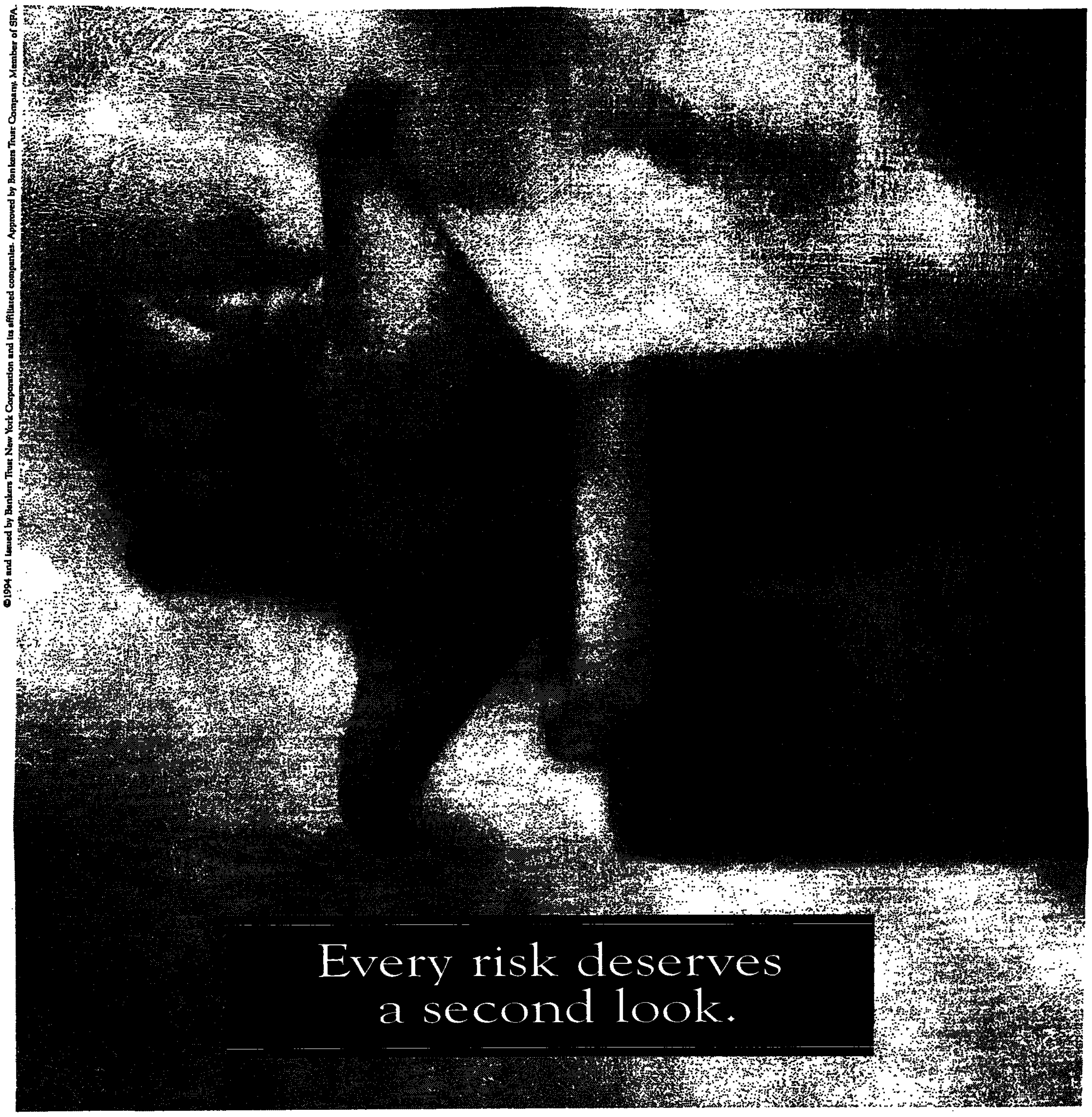

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BNF aims at £160m profit and overseas expansion

By Michael Smith

British Nuclear Fuels, the state-owned fuels reprocessing company, yesterday announced plans to increase significantly its overseas business as it published financial results which suggest it can double profits to more than £160m this year.

Mr John Guinness, chairman, said he expected overseas contracts to rise from 20 per cent of the turnover in 1993-94 to about 30 per cent of this year's increased sales. The proportion will rise further as the recently opened Thermal Oxide Reprocessing plant (Thorp) gets into full swing. By the end of the century the company expects it to be nearer 40 per cent.

"By 2010 the worldwide nuclear services market is likely to be worth over $35bn a year," said Mr Guinness. Contracts won recently, including one for $45m to help reprocess spent plutonium in the US, suggested that BNF could win a sizeable market slice.

In the year to March 31 BNF lifted pre-tax profits by £5m to £81m on turnover up 8 per cent at £1.13bn. It said profits would have been £78m higher had it not been for regulatory delays in starting Thorp. The dividend to the government, BNF's shareholder, was £26m.

As in 1992-93's annual report, Ernst & Young, BNF's auditors, said the 1993-94 figures were subject to a fundamental uncertainty because of continuing negotiations by the company on contracts with Nuclear Electric and Scottish Nuclear.

The negotiations result from the government's refusal to underwrite earlier agreed contracts. Mr Guinness said revised contracts were with the government. He hoped the matter would be resolved in the government's present review of the nuclear industry.

BNF has cut staff from 17,000 eight years ago to about 14,000. It expects to employ about 12,000 at the turn of the century. By April the company expects to have achieved its target set in 1988 of improving productivity by 40 per cent.

BNF is raising the basic pay of its directors by 2 per cent this year after a freeze last year. However performance-related bonuses meant there were substantial rises last year, with the total emoluments of Mr Neville Chamberlain, chief executive and the highest-paid director, rising to £216,000 from £169,000. He received no bonus in 1992-93 but £39,000 last year.

BNF's drive abroad concerns environmentalists who argue it could increase the amount of plutonium in transit.

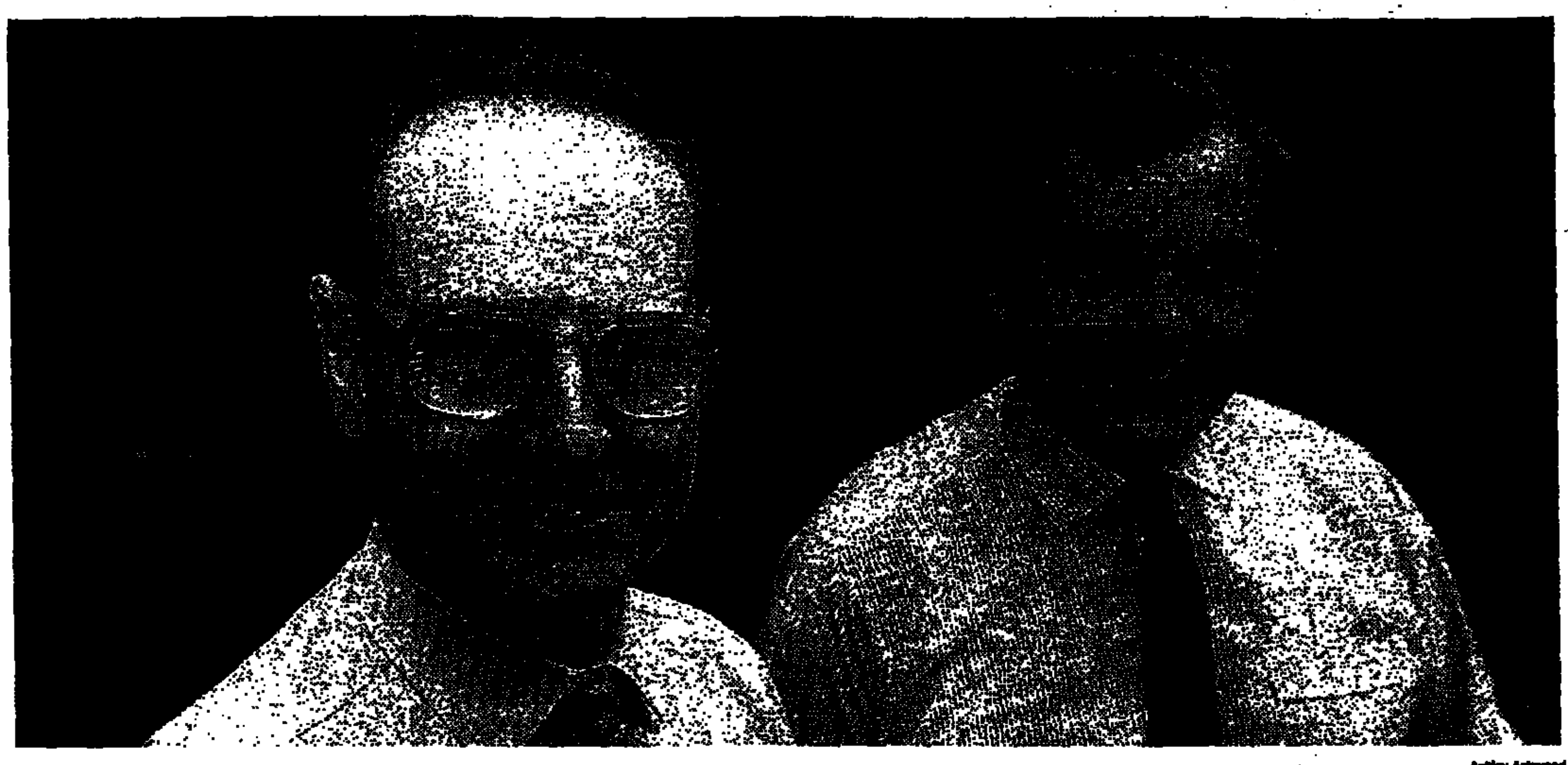
BNF yesterday argued that it and other reprocessing companies could help to reduce the terrorism threat from plutonium.

Mr Guinness suggested western countries should buy Russian plutonium to turn into mixed oxide fuel which can then be used in reactors.

BNF last year completed commissioning a mixed oxide demonstration facility in Sellafield, Cumbria. The first fuel from the facility was delivered to a Swiss customer in June.

Work on a full-scale mixed oxide plant should be completed by the end of the decade and the company hopes to win orders for it from countries including Japan.

Environmentalists see BNF's arguments as self-serving, and point out that its other reprocessing facilities increase plutonium stockpiles.



Ashley Ashwood

Chairman John Guinness (left) and chief executive Neville Chamberlain expect overseas contracts to rise to 40 per cent of BNF's turnover by the end of the century

No link has been found between nuclear power stations and childhood leukaemia, according to a study published in this week's British Medical Journal, David Lascelles writes.

In a research project, which was assisted by funding from Nuclear Electric, Dr John Bithell and Dr Gerald Draper looked at the incidence of childhood leukaemia within 25 kilometres of 23 nuclear sites in England and Wales. In no case did they find an incidence greater than would be expected by chance.

They said the well-documented instance of six excess cases at Seascale near the Sellafield nuclear reprocessing plant was an isolated finding. It might be due to chance or to infection following an influx of people to the area when the site was established.

Dr Dick Taylor, Nuclear Electric's operational and safety policy manager, said the study added conclusively to the already overwhelming evidence that there was no general increase in leukaemia in children living close to nuclear power stations.

Scottish graduates run up least debt

University students from Scotland who graduated this year were the most solvent, a survey by Barclays Bank has found, John Authers writes.

The Scots owed only an average £900, partly because Scottish parents were the most likely to pay their formal contribution, with 77 per cent doing so in full, and because a high proportion of Scottish students attend a local university and live at home.

The survey found students from the Midlands and north-west and north England accumulated the heaviest debts. Midlands students who graduated this year accumulated average debt of £2,371.

ICI to restructure explosives division

Imperial Chemical Industries, the UK's largest chemicals group, yesterday announced it was restructuring its UK explosives operations. It blamed a decline in demand for the division's products on the coal industry.

ICI said the restructuring would involve job losses but it did not give details. The division employs about 750 people at Ardeer, Strathclyde; 125 at Wigan and North Wales, and about 20 technical staff.

Scots loan rates to be guaranteed

By James Buxton, Scottish Correspondent

Scottish Enterprise, the official development body for Scotland, is to launch a scheme to assist small businesses by guaranteeing the rate of interest on loans taken from banks.

Scottish Enterprise and the Scottish Office had to defeat strong Treasury opposition to secure approval for the scheme, which is thought to be unprecedented in the UK.

It is particularly aimed at companies employing up to 250 people in manufacturing and construction, but is also expected to apply to business services. Scottish Enterprise will be able to rule on the eligibility of companies.

Although details of how the scheme will operate have yet to be finalised, it is expected that companies will receive a guarantee that the interest rate on loans over two to seven years will not increase by more than one percentage point.

Scottish Enterprise will make up the difference to the banks if interest rates on the affected loans exceed the cap. The scheme is expected to cover £100m worth of loans and the cost to Scottish Enterprise could be £5m a year – from its annual budget of £450m.

The initiative is one of a number of projects launched by Scottish Enterprise to increase Scotland's low rate of new business formation. The development body has won the backing of the Scottish banks – Royal Bank of Scotland, Bank of Scotland, TSB Bank Scotland and Clydesdale – and has support from Scottish business leaders and providers of professional services.

The scheme had the backing of the prime minister and the Department of Trade and Industry in spite of resistance from the Treasury.

Professor Donald MacKay, chairman of Scottish Enterprise, finally persuaded Mr Kenneth Clarke to approve it at a meeting in Inverness last May when the chancellor was attending the Scottish Conservative party conference.

Fears about the volatility of interest rates have proved a strong disincentive to small businesses to undertake new investment and to expand their operations.

Scottish Enterprise is also acting to make good the shortage of equity finance for small businesses, which they require for expansion alongside loan finance.

It intends shortly to announce plans for the creation of venture capital funds to invest money subscribed by banks, financial institutions and large Scottish companies.

The new funds would be administered by Scottish Development Finance, an arm of Scottish Enterprise which has been restructured.

It is targeting its investments at businesses needing less than £500,000, an area often shunned by private investment capital providers because of the disproportionate cost of making investments of this size.

Private finance agreed for Tube

By Charles Batchelor, Transport Correspondent

London Underground has signed its first deal under the government's private finance initiative involving the supply of computing services to its engineering department in London.

It has reached a £10m agreement for Electronic Data Systems to provide and maintain computing services – including hardware, software, maintenance and support – over five years. The agreement covers the seven floors of the engineering directorate's new offices at Canary Wharf in Docklands.

The contract sets performance standards with penalties for any failure to meet set targets. EDS, based in Uxbridge, west London, will decide how to meet these requirements and accept the risk that its choices of hardware and software are correct and that its staff can provide the agreed level of support.

The contract meets the Treasury's guidelines on bringing private finance into the public sector because EDS takes a share in the risk.

Mr David Bailey, London Underground's development director, said: "This is a way to increase the level of investment in public-sector organisations."

The underground is attempting to involve private finance in other investment projects, notably plans to modernise rolling stock on the Northern Line and to install automatic access barriers at more stations. These schemes have yet to win the approval of the Treasury.

Strikes planned in 100 colleges

By John Authers

Lecturers in at least 100 further education colleges in England and Wales plan strikes during two weeks of action early next month.

The Natfhe lecturers' union said yesterday that more colleges would hold ballots on industrial action during the first weeks of term in September, as the union continued local action against the introduction of new contracts.

However it added that its hopes of reaching a negotiated settlement had improved since the government had decided not to carry out its threat to withhold funds from colleges which failed to implement new flexible contracts.

The dispute started after colleges were removed from local education authority control in April last year.

The Colleges Employers' Forum, which includes most college principals, demanded new flexible contracts which halved holiday leave each year, and added an hour to each working day. It said these changes were necessary to allow flexibility.

Natfhe refused to accept the forum's conditions, and has held both national and local strikes against the proposals.

Last year the government announced that 2 per cent of central funding for each college would be held back if they did not introduce flexible contracts. Mr Tim Boswell, the further education minister, recommended the forum's model contract to principals.

However the government announced this month that it would hold back funds from only three colleges. Ms Sue Berryman, Natfhe's negotiating secretary, said this had "removed the last impediment to a negotiated settlement".

Funds have gone to two colleges that negotiated new contracts accepted by Natfhe.

Recordings ruling expected soon

Judgment is expected early next week in the High Court action over the sales of recordings issued by the American Recordings label.

American claims it is no longer bound by the terms of a joint venture with Phonogram UK, a subsidiary of Polygram, for the marketing of albums outside the US.

Vauxhall to raise prices by 2.9%

Vauxhall, the UK's second largest carmaker, is raising the prices of most of its cars and light commercial vehicles by an average of 2.9 per cent from Monday. Prices of the Omega executive car range and the Frontera and Monterey four-wheel drive sports/utility vehicles are not being raised.

Ford, the market leader, raised prices by an average of 2 per cent on Monday.

Tour operator ceases trading

Solfights, a holiday tour operator based in Beckenham, Kent, ceased trading yesterday. The company specialised in flights and holidays to Spain.

The Civil Aviation Authority's Air Travel Organisers' Licensing (Atol) section has called in the company's £33,000 bond. About 250 travellers abroad will be able continue their holidays and return as planned. Atol will arrange refunds for customers who are unable to travel.

Bank rules out gilt-edged auction

The Bank of England yesterday said it would not be holding an auction of gilt-edged stock this month. This is in line with market expectations.

The Bank said the decision reflected the substantial progress it had already made with gilt-edged funding this year.

Hambro chief is one of 10 new peers

By Kevin Brown, Political Correspondent

Mr Charles Hambro, chairman of Hambros and Guardian Royal Exchange Assurance, is to become a "working" Conservative peer, Downing Street announced yesterday.

Mr Hambro, a Conservative party treasurer since April last year, is one of five Tories in a list of 10 peers nominated by the three main parties.

The others are Sir Christopher Prout, who led the party's delegation to the European parliament until he lost his seat in the June elections, Ms Patricia Rawlings, the former Euro-MP for Essex South West, Sir Peter Blaker, a former foreign and defence minister, and Sir Michael Shaw, a Yorkshire MP for 32 years until 1992.

Labour nominated three peers: Mrs Josephine Farrington, chairman of the Association of County Councils, Mr Alf Dubs, a former home affairs spokesman, and Mr Derek Gladwin, a former official of the GMB general union and TUC general council member.

The Liberal Democrat presence in the Lords will be boosted by two peers: Ms Susan Thomas, vice-chairman of Surrey county council, and Mr Graham Tope, leader of Sutton council and a Liberal by-election winner at Sutton and Cheam in 1972. Mr Tope lost his Commons seat in 1974.

The government has suffered a series of embarrassing defeats in the Lords – most noticeably on the Police and Magistrates Courts Bill and the Criminal Justice Bill – and the five Conservatives will help boost Tory morale.

Working peers are expected to play a full part in the chamber's main role of reviewing legislation. Labour does not recommend party members for peerages in the annual Queen's birthday and New Year honours lists, but participates in the working peers list to maintain the effectiveness of the Lords as a debating chamber.

BR staff could be drafted in to break signal strikes

By Charles Batchelor, Transport Correspondent

British Rail staff with signalling qualifications may be seconded to Railtrack to help break the nine-week series of strikes by signal workers, it emerged yesterday.

The dispute has become so damaging to the railway network, particularly to the freight business, that BR is considering all available options to reduce its impact, an official said.

The Transport Salaried Staffs' Association said some of its members had been interviewed but it advised them against taking such a step because it would involve working for a different company.

Details of BR's plans became known on a day when the dispute with the RMT transport union showed renewed signs of spreading to other rail unions. Aslef, the train drivers' union, repeated an earlier warning that its members might take action over safety.

BR said it was contacting its staff to see if they would be willing to volunteer to be seconded to signalling duties after refresher training. This is likely to involve few of BR's 110,000 staff because most people with signalling expertise are already with Railtrack "but it may get into three figures", BR said.

This move follows a warning from BR chairman Sir Bob Reid earlier this month that staff might be used to help Railtrack.

"The business is being very badly damaged," the BR official said yesterday. "Hitherto there has been the prospect of a settlement but we can no longer stand by and watch the industry bleed to death." People who would be likely to have signalling qualifications included train planners and operations staff.

Railtrack said that even a small number of extra staff in its signalboxes could make a big difference to the scale of the train service operated.

The train operating companies promised to provide the most comprehensive strike service yet during the 24-hour stoppage planned from midday Monday to midday Tuesday.

● Overnight sleeper and motorrail services between Scotland and London could face closure because of damage caused by the rail strike. The service from Edinburgh, Glasgow, Inverness, Fort William and Aberdeen to London Euston has lost 21 nights of business since the strike began.

"It is under review but no decisions have been taken," InterCity West Coast said. The service runs 10 trains a night.

'Ill-advised' import fraudster avoids jail

By John Mason, Law Courts Correspondent

A businessman who evaded £194,000 of Customs duties escaped with a suspended prison sentence yesterday because accountants from KPMG Peat Marwick gave him "grossly misconceived" advice.

Mr Peter Grimble, a construction plant importer from Guildford, Surrey, admitted pretending hydraulic excavators came from America rather than Japan so he could evade EC anti-dumping duties.

The judge at Knightsbridge Crown Court told him: "I regard you as having been involved in a systematic and a grossly dishonest defrauding of the Customs & Excise."

He said he would have jailed Mr Grimble immediately but for wholly exceptional circumstances.

Customs & Excise had offered not to prosecute the businessman but impose a financial penalty instead.

"You were given advice in the strongest possible terms, which I can only describe as of a grossly misconceived nature, to reject that offer more than once," said the judge.

To do justice to Mr Grimble, it was necessary to suspend the sentence, he said.

Insurance gripes ensure busy future for ombudsman

New investment watchdog will narrow an old empire but may not shrink it, report **Alison Smith** and **Andrew Jack**

Julian Farrand: PIA undermining position of insurance ombudsman

The manner of Mr Julian Farrand's departure from his post as insurance ombudsman at the beginning of this month will not have made his successor's task any easier.

His valedictory comments highlighted what he found unsatisfactory in the reducing remit of the insurance ombudsman.

Mr Farrand said that he had resigned as insurance ombudsman after a long period of "disillusionment" over the office's future. He was particularly critical of the new watchdog set up to protect the private investor, the Personal Investment Authority, which he said was undermining the ombudsman's position with its scheme.

He had spent some months searching for new appointments before being confirmed as the new pensions ombudsman from the start of next month.

"I preferred the challenge of being in a developed and enlarged role to remaining in something with a diminishing significance," he said.

From the perspective of the existing insurance ombudsman scheme, there are certain difficulties arising from the establishment of the PIA.

At the very least there will be a contrast with the apparently inexorable growth in the ombudsman's workload since the scheme was set up in 1981 on the initiative of only three insurance companies.

First, the existence of a new, compulsory PIA ombudsman scheme is bound to mean a smaller area of responsibility for the insurance ombudsman, since the PIA ombudsman will deal with cases relating to the marketing of regulated financial services.

Second, there is uncertainty about how much more than the minimum will be transferred to the PIA ombudsman. For example, an insurance company can choose to leave problems relating to administration – as opposed to the sale of a life policy – with the insurance ombudsman.

Many may decide, however, to take advantage of the further, optional element in the PIA ombudsman scheme and transfer all cases on life business to the PIA scheme, leaving the insurance ombudsman with cases relating only to general insurance.

Third, there is the question of the maximum award payable by an insurer. Mr Farrand has made no secret of his concern that while the maximum payout the insurance ombudsman can insist on is £100,000, the maximum compulsory award in the PIA ombudsman scheme will be only half that amount.

The new arrangement stems from the report by Lord Ackner, a former law lord, on the establishment of a PIA ombudsman. He said the new scheme should be concerned with should be related to breaches of the rules rather than to a more discretionary system of what was fair and reasonable. With different ways of working, it makes some sense for the two types of ombudsman scheme to be separate, despite the risk that some issues may fall between the two schemes.

It is not yet clear whether the lower limit for a maximum award under the new scheme will turn out to be a severe constraint in practice. Only one financial services dispute settled so far this year has ended in an award of more than £50,000, and none has exceeded £100,000.

While the PIA ombudsman can recommend a review of the maximum award, the ceiling is unlikely to rise much, if at all, because of the extra difficulty this would cause for independent financial advisers in obtaining professional indemnity insurance.

More generally, Ms Barbara Saunders, chairman of the insurance ombudsman council and a PIA board member, insists that the PIA scheme does not undermine the work of the insurance ombudsman, even though financial services work currently makes up more than one-third of the case load.

Some staff are transferring to the PIA scheme, and Ms Saunders says that the recent confirmation that transfer of undertaking regulations will apply has removed some doubts about what this might mean. "Job insecurity is no longer an issue," she says.

She admits, however, that some months of uncertainty do lie ahead over what matters go to the PIA on the voluntary basis.

With the process of admitting companies to the new regulator still under way, Ms Saunders believes it is unlikely that the arrangements for financial services administration cases will be finalised before the beginning of next year.

Companies will have to tell their customers what arrangements have been made, but the prospect of confusion looms large.

Even if – as seems most likely – the insurance ombudsman loses jurisdiction for all new financial services disputes, the workload for the new ombudsman – who is expected to be announced next week – and supporting staff will not be reduced drastically overnight.

The office will continue to be responsible for dealing with a wide range of general insurance cases – from the one-week travel policy to household building and contents cover.

"By the end of this year, the number of general insurance cases we will have dealt with will be the equivalent of the total number of life and general insurance cases in 1992," says Ms Saunders.

If the future of the insurance ombudsman scheme is safe unless there is a massive rise in customer satisfaction with insurance companies, it looks as though it will remain securely in place for a long time to come.

Insurers join outcry against large pay-offs

By William Lewis

The Association of British Insurers, whose members manage about £600bn worth of investment funds, has written to several of the UK's largest companies expressing concern over large payments to former directors.

Mr Richard Regan, head of investment affairs at the association, said yesterday it had written to the non-executive chairmen of "four or five" companies where controversial pay-offs had been made.

The letters state that non-executive directors should check the service contracts of executive directors annually to ensure that "they still want them".

Mr Regan added: "We are writing to companies where these payments have occured saying major institutions are concerned and this is the way we would like to see it addressed."

He added: "We are not necessarily against three-year rolling contracts, but we want companies to apply the practical principle of review."

Two months ago PosTel, an institution with £25bn under management, said it would vote against the re-election of directors who have rolling-service contracts longer than two years. It believed that shorter contracts would curb directors' entitlement to pay-offs.

The move follows a number of controversial payments, including £2.02m to Mr Peter Davis, former co-chairman of Reed Elsevier, the Anglo-Dutch information and publishing group. The payment, announced last Tuesday, took the total size of pay-offs disclosed in the last year by the largest 250 quoted companies to more than £20m.

The letters will put further pressure on companies to limit pay-offs to directors who resign or are forced out. Mr Michael Heseltine, trade and industry secretary, recently stated that institutional shareholders should be doing more to limit payments to directors.

The association stressed that it saw pay-offs as the real issue and not the length of directors' contracts. Consequently it wants companies to be tougher in negotiations over pay-offs with former directors.

The association refused to confirm which companies it had written to. Some recent payments include £3.13m to Mr John Cahill, former chairman of British Aerospace; £2.2m to Mr Chris Greentree, former chief executive of oil company Lasmo; and the £2.7m to be paid to Dr Ernest Mario, a former director of Glaxo, the pharmaceuticals group.

Supply of workforce skills 'not deficient'

By Robert Taylor, Labour Correspondent

Britain is not deficient in the supply of skills in its workforce, says a study from the Centre for Economic Performance.

It argues that the country is "not out of line" with other advanced western economies which have "similar standards of living in terms of the stock of skills in the population".

The comparative study was carried out by Mr Peter Robinson. He found that only 35 per cent of the population lack recognised basic qualifications, which is much better than the average of 45 per cent for industrialised economies.

The study showed, however, that Britain has a below-average proportion of the population who have been through higher education (16 per cent compared with an average of 19 per cent).

But if non-university higher education is excluded, the proportion of the British population with university higher education, at 10 per cent, is similar to the average of member countries in the Organisation for Economic Co-operation and Development.

The report's findings appear to conflict with the widely-held view at the end of the 1980s that Britain had too few 16- and 17-year-olds in training or full-time education.

But Mr Robinson argues that a "transformation" has taken place since 1988. In the current academic year, 73 per cent of 16-year-olds were still in full-time education in the January after their exit from compulsory schooling. This compares with only 45 per cent in 1986-87.

In 1993-94 58 per cent of 17-year-olds were still in full-time education compared with only 33 per cent in 1986-87 while last year 30.9 per cent of the age group entered higher education compared with only 15.1 per cent in 1988.

The report also points out that only an estimated 6 per cent to 8 per cent of 16-year-olds and 18 per cent to 19 per cent of 17-year-olds were in regular full-time jobs in 1993-94 with 12 per cent of both age groups in government-funded Youth Training.

A "worrying residual" were however, unemployed or inactive – amounting to 6 per cent to 7 per cent of 16-year-olds and 12 per cent to 13 per cent of 17-year-olds.

"The debate of the late 1980s over the supply of skills in the UK seems rather dated," says Mr Robinson. "Young people themselves have 'resolved' the debate over choosing the full education or apprenticeship route for 16- to 17-year-olds. The majority have chosen full-time education and it seems only prudent to accept this and reinforce the trend."

Supply of Skills in Britain. Centre for Economic Performance Working Paper 618. London School of Economics, Houghton Street, London WC2A 2AE.

Concerned by the slaughter over the water

Ferry company pledges to curb the transport of livestock have raised suspicions, says **Alison Maitland**

A consignment of 240 calves spend over 45 hours locked in a Dutch truck travelling from Limerick in Ireland, via Dover, to Barcelona in Spain. Their journey is broken just once, when they are unloaded and loaded again in 90 minutes.

Another Dutch truck carrying 450 English sheep leaves Dover for the Netherlands. Four days later the same consignment crosses by boat in soaring temperatures from the Italian port of Brindisi to Igoumenitsa in Greece. On arrival, 152 of the sheep are dead.

Cases like these, cited by the Royal Society for the Prevention of Cruelty to Animals, have spurred British ferry companies into pledging curbs on the transport of livestock.

P&O, which has about 60 per cent of the cross-Channel freight market, said last month it would stop carrying animals for slaughter from October unless European agriculture ministers agreed immediate improvements in journey times and conditions and a "viable" enforcement regime.

Brittany Ferries, which has about 10 per cent of the market, announced last week that from next Monday it would not carry on its cross-Channel and Spanish routes animals going straight to slaughter.

The moves were welcomed by the RSPCA, which wants the European Union maximum journey time of 24 hours without food, water or rest to be cut to eight hours. Mr Mark Ranson, the society's senior scientific officer, asked: "Why do you need to take an animal from the top of Scotland all the way to Spain for slaughter?"

Public feeling runs high on the subject. An RSPCA survey last September found that 65 per cent of Britons backed the eight-hour limit. Earlier this summer Mr Alan Clark, the former trade minister and a campaigner against cruelty to animals,joined calls by animal-rights groups for a boycott of ferry companies carrying livestock for slaughter.

But EU member states cannot agree on a change in the rules. While Germany, Denmark and the Netherlands support an eight-hour journey limit, southern EU countries are not keen on any limits.

In June, agriculture ministers failed to reach agreement on a Greek compromise that would have reduced the 24-hour limit to 22 hours. Britain, which has an internal 15-hour limit, joined other northern EU states in blocking the plan in the hope of a better deal at the next meeting in September, which will be held under the German presidency.

A consignment of European cattle at its destination. British livestock farmers feel the ferry companies are unfairly penalising them

British livestock farmers, already suffering from European restrictions on beef exports because of BSE – "mad cow disease" – feel the ferry companies are unfairly penalising them. They are supported by Mr William Waldegrave, agriculture minister, who said: "Those urging precipitate action would do nothing to protect travelling animals in the long term and would impose an immediate damaging effect on a trade already going through a difficult period."

Britain exports 2m sheep worth £65m each year, mainly for slaughter in France, according to the Meat and Livestock Commission. About 500,000 calves worth £95m are sent for veal or breeding, mostly to Belgium and Holland.

Mr Richard Beale, chairman of the Association of Livestock Exporters, said the ferry companies were motivated by commercial considerations. "They've looked at losing the slaughter trade versus losing public opinion," he said. "They're in a desperate battle now with the Channel tunnel."

The ferry companies are also at odds with each other.

P&O described Brittany Ferries' announcement as "a bit of a whitewash" because it plans to ban only animals being transported direct to abattoirs, not those that are first fattened for slaughter. According to P&O: "Ninety-five per cent of animals leaving the UK are not slaughtered straightaway but fattened up first."

Stena Sealink, P&O's main competitor, hit out at both companies, accusing them of "making qualified statements for the PR value". The company said it would make a "definitive statement" on its position by the end of August.

Sealink warned that exporters would charter ships if the ferry companies barred them. "You're going to have third class ships with third class crews and conditions for animals will deteriorate." It added that picking and choosing customers, especially if they were not breaking any rules, was "a dangerous and slippery slope".

If the ferry companies were to agree a joint ban, it would not be bad news for every sector of the UK livestock trade.

The leather and tanning industry would benefit from more animals being slaughtered in the UK. Abattoirs, suffering from overcapacity, would welcome the extra work.

Mr Peter Scott, general secretary of the Federation of Fresh Meat Wholesalers, said: "We would rather animals went abroad in carcass form, not only on economic grounds for ourselves but also on welfare grounds. Animals that are stressed and frightened make rotten meat."

Companies House staff call for halt to sell-off proposals

By Michael Cassell, Business Correspondent

Staff at Companies House have launched a national campaign to win support from businesses against government plans to transfer its services to the private sector.

The campaign, led by the Civil and Public Services Association, aims to kill off proposals by Mr Michael Heseltine, trade and industry secretary, to contract out most of the functions of Companies House, the official repository for corporate financial information in England, Wales and Scotland.

Mr James Normansell, campaign co-ordinator, said yesterday: "The changes mean that those who rely on quick, cheap and up-to-the-minute company information will find Companies House unable to help."

Last month Mr Heseltine asked consultants to report by the end of October on the feasibility of the proposals, which envisage the appointment of contractors to take over most activities.

Companies House, an executive agency of the Department of Trade and Industry, is based in Cardiff and has five regional offices. Last year it handled the incorporation of more than 100,000 new companies and it holds details on nearly 1m companies.

Under Mr Heseltine's proposals, chosen contractors would within three years sell all company search services to intermediary business information organisations.

Staff unions, which intend to contact hundreds of Companies House corporate customers, claim contracting out will mean an end to several free services while fees will rise for remaining services. They say up to 500 jobs are at risk.

Campaigners hope that the recent decision to halve from October existing company registration charges and fees for annual returns could undermine the attractiveness of Companies House operations to potential bidders.

Trade position signals strengthening recovery

By Gillian Tett, Economics Staff

The underlying trends in Britain's trade position with non-European Union countries continued to improve last month, providing further indications of the increasingly solid nature of the economic recovery, official figures yesterday indicated.

The trade deficit with non-EU countries was a seasonally adjusted £418m in July, barely changed from the £392m deficit seen in June, but sharply down from deficits of about £600m seen earlier this year, the Central Statistical Office said yesterday.

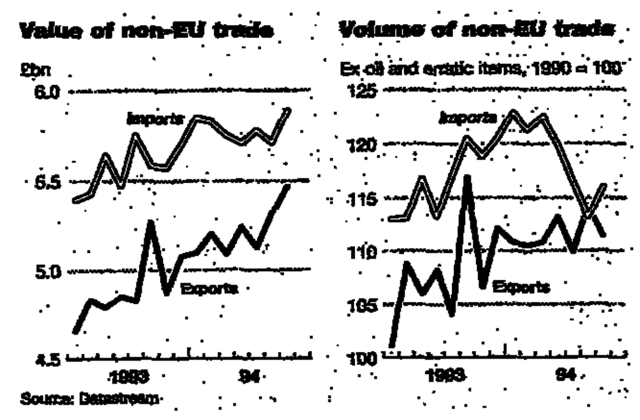
The figure was considerably better than City forecasts.

Exports to non-EU countries rose 3 per cent to £5.46bn last month, up from £5.32bn in June, the CSO said. Imports also rose 3 per cent on the month to £5.89bn in July.

However, measured on a three-monthly basis, the figures pointed to an even healthier underlying trend.

Exports rose 2.5 per cent in the three months to July compared with the three months to April, while imports rose 0.5 per cent in the same period.

Measured without oil and erratics – the figure regarded as the best guide to the underlying trend – exports rose 3 per cent in the three months to April compared with the previous three months, while imports fell 0.5 per cent.



Source: Datastream

The trend in the volume trade, however, was slightly divergent, with price rises accounting for much of the growth in trade.

Export volumes, excluding oil and erratics, rose 0.5 per cent in the three months to April compared with the previous three months.

As this is lower than the rise in export values, it indicates that exporters have raised their prices in the past three months.

Import volumes excluding oil and erratics, however, fell 5 per cent in the three months to April compared with the previous three months. Since this was a larger drop than the fall in import values, this indicates that import prices have remained relatively high.

The CSO estimated that export volumes will rise slightly in the coming months, while export volumes will rise 0.5 per cent each month.

Import volumes are expected to fall 1 per cent each month, while import values are expected to remain flat.

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A raise in time may save nine

This week it became still more obvious that short-term rates of interest are passing their trough. This is excellent news, mostly because it means the recovery is increasingly well-established. Since disinflationary forces are strongly at work as well, there is a good chance that the forthcoming interest rate increases will not be particularly sharp. This could, in fact, prove to be the start of a sustained and unprecedentedly global economic expansion.

The lead is being given, as usual, by the US. Wednesday's decision by the Federal Reserve to raise short-term interest rates by half a percentage point was a pre-emptive move. While the timing was widely expected, the size of the increase was not. Presumably, Mr Alan Greenspan and his colleagues have concluded from the bond market's reaction to the minuscule increase in short-term rates announced at the beginning of February that they might as well be hanged for a sheep as a lamb. This particular sheep could stay on the Federal Reserve's table for some time, since policy cannot be far from the "neutrality" sought by Mr Greenspan.

Meanwhile, the only question in the UK, now well on the road of recovery, is when short-term interest rates will rise. Some time this year remains likely, despite this week's excellent news on inflation. Amongst major industrial economies, Japan is furthest from recovery. Yet the Bank of Japan has not held on to its 1.75 per cent discount rate for almost a year to lower it now, particularly when it can spy green shoots, including faster growth of the Japanese money supply.

If short-term rates of interest are to fall anywhere it will be in continental Europe. But the increasing strength of the recovery there, demonstrated in this week's release of the European Commission's business and consumer survey for July, is making substantial reductions decreasingly likely. The German discount rate has been 4.5 per cent since May. While still above the new US rate of 4 per cent, the traditionally cautious Bundesbank lacks any compelling reason for further cuts.

Fastest growth

Within the group of seven leading industrial countries, Germany, of all countries, has suffered the fastest growth of broad money over the most recent 12-month period, at around 10 per cent. The performance of the other six has varied between monetary contraction in France, at one end, and growth of 6.6 per cent in Italy, at the other. In between come stagnation in Japan and the US, and a rise of 4.8 per cent in the case of the UK. The relation between monetary growth and inflation is not close enough for precise steerage, but such restrained growth of money and credit seems quite incompatible with an inflationary take-off.

This performance is linked to why the recovery has proved voteless in many countries. In the 1980s many people bet on yet another inflationary upsurge, notably by investing in residential and commercial property. Fortunately, they bet wrongly. As a result of this pardonable mistake – pardonable in view of what happened in the 1970s – many still find themselves burdened by debt. They are victims of mistaken inflationary expectations, as surely as those who lent money in the 1970s were victims of their confidence in money.

Good news

The resultant moneyless recovery is good news. It means not just that inflation should remain restrained, but that resources are more likely to go into additional production than into more speculative assets.

An important economic question is what else might halt the recovery. The commodity-price rise already looks like yesterday's story, marking a correction rather than a trend. Equally, provided monetary growth remains slow and the authorities act pre-emptively, the correction in bond markets this year could reverse. In the biggest three economies, interest rates on long-term bonds have, in fact, already stabilised over the last three months.

If anything is likely to go wrong it is with fiscal policy. Some industrial countries already suffer from very high public indebtedness. A world economy that is enjoying high economic growth, particularly throughout much of the developing world, will have high real rates of interest. When inflation is lower than nervous investors fear, real rates of interest are pushed higher still.

No industrial country can stabilise its ratio of public debt to gross domestic product without running a significant primary budget surplus – that is, surplus without interest payments. That is politically unpopular. It can only be done with a combination of high taxes and tight control on spending – yet another reason for this recovery to be voteless.

However difficult it may be, a prize is there to be won. The global economy has probably the best chance of a long and sustained expansion since the 1960s. This is also truly a global expansion, one that offers hope to an unprecedentedly large proportion of the world's population.

From Russia with love

Nuclear smuggling has put the security of weapons material back in the political spotlight. **FT writers** assess the threat

At the climax of the 1980s television thriller *Edge of Darkness*, a CIA agent breaks into a British nuclear fuel store and carries off a haul of plutonium in a Harrods bag. Life recently started to imitate art in a series of nuclear smuggling incidents centred on Germany.

On August 10 two Spaniards and a Colombian were arrested following the seizure of a suitcase containing 300 to 350 grammes of plutonium at Munich airport on a Lufthansa flight from Moscow. It was the biggest find to date in a series of German discoveries of nuclear materials since 1990. That year, there were four finds: in 1993 there were 241.

The smuggling has provoked a public political storm which is being used for electioneering purposes in Germany, has made Russia deny that there is a problem and has put nuclear security back on the agenda in the US.

There have been claims and counter-claims about the importance of the finds. Some scientists in the former Soviet Union say that they are the tip of a plutonium iceberg, with impoverished Russian nuclear workers selling the raw materials for atomic weapons on an international black market. The Russian government initially claimed that the political row over the seizures was a plot by western countries to gain control of Russian nuclear stockpiles. On Wednesday, Mr Sergei Vasiliyev, spokesman for Russia's internal Counter-Intelligence Service, said: "Not a single gram of plutonium-239 has gone missing from storage in Russia." Official western statements have see-sawed between expressing concern at the smuggling and playing down the significance of the seizures so far.

But even potential plutonium trafficking is worrying for the west. Nato foreign and defence ministers held an emergency meeting yesterday to discuss the threat, following the funeral of Nato secretary-general Mr Manfred Wörner. Behind the scenes, officials in most countries agree that more must be done to make Russian nuclear materials secure, before large amounts of plutonium find their way into the hands of would-be nuclear weapons states or international terrorist groups.

The security of Russian nuclear stocks is questionable. The country has over 130 tonnes of military-grade plutonium which could be used to make more than 16,000 atomic bombs larger than that which destroyed Hiroshima. As a result of nuclear weapons reduction treaties, Russia is dismantling almost 10,000 nuclear warheads and returning the plutonium to store, where it is easier to steal. It also has a much larger pile of highly enriched uranium and civil reactor-grade plutonium – which are harder to detonate but are still extremely hazardous.

Exactly how much civil nuclear material Russia has is unknown – even government experts probably do not have an accurate measure. The difficulty of accurate nuclear accounting is not restricted to Moscow – last year US energy secretary Mrs Hazel O'Leary revealed for the first time the amount of military plutonium the US had produced, but had to correct the figure upwards by one and a half tonnes because of a series of accounting errors. One and a half tonnes of plutonium is enough to make 190 nuclear bombs.

There is little doubt that Russia has similar, and probably worse, accounting problems. That creates the loopholes which people with a motive can exploit. For example, Russian nuclear scientists, used to high status and a good standard of living in the old Soviet system, have seen their income slide. The temptation to make a fortune by smuggling plutonium is strong.

Stopping this flow of plutonium is the first priority for western officials. Nuclear scientists say the three plants in Russia capable of manufacturing weapons-grade plutonium are near Chelyabinsk, south of Moscow, and the Siberian outposts of Tomsk and Krasnoyarsk, and much of the weapons material is stored there. However, it is more likely that any pilfered plutonium would have come from nuclear stockpiles or research laboratories, rather than direct from the plants themselves. The German authorities believe one stash of plutonium could have come from the Kurchatov Institute in Moscow, which is primarily a research centre.

Keeping track of all this material requires modern western bar coding and computerised stock systems. The Russian government has made some attempts to tighten controls, but scientists have long recognised that nuclear accounting was inadequate. In March 1992, Mr Gennadi Novikov, head of nuclear safety at the Chelyabinsk-70 plant, warned of a drastic decline in security standards: "The technical safety of nuclear weapons has remained the same. But safety in the broader sense, taking into account the political and psychological situation, has plummeted." Morale has slumped and supervision of materials is lax.

Not only are there risks that bomb-making materials may be stolen, but weapons scientists are being encouraged to work on nuclear programmes abroad. Mr Vladimir Kruchenkov, deputy executive director of the International Science and Technology Centre in Moscow, says he has heard of approaches – not necessarily for military purposes – from China, Syria and North Korea.

Efforts are being made to stem the flow of both experts and material. The US has been working with Russia to try to ensure that the stockpile of nuclear material remains in safe hands. A portion of US financial aid to the republics of the former Soviet Union is set aside to help with dismantling old nuclear weapons. The US has agreed to help construct a Russian storage facility for surplus plutonium and enriched uranium.

In addition, the US Enrichment Corporation, a spin-off from the US Department of Energy, has a contract with Russia's ministry of atomic energy to take highly enriched uranium from warheads and degrade it so that it can be used for civilian purposes but not bombs. The US has also offered Russia

A soldier with a box marked "secret" at a Russian missiles factory. The sale of weapons-grade plutonium has provoked western concerns

$30m for immediate improvements in security and accounting of nuclear materials in Russia.

Russia is co-operating with western governments to counter the threat of a brain-drain of Russian nuclear scientists. This March, the European Union, Japan, Russia and

As well as the direct nuclear threat, the smuggling has produced political fall-out in Germany, Russia and the US

the US set up the International Science and Technology Centre in Moscow to redirect Russian nuclear scientists into more peaceful pursuits, such as medical research and nuclear waste management. The centre has now approved 54 projects committing $30m to sponsor 3,000 scientists over the next three years.

But more needs to be done, according to western officials if the potential black market in stolen plutonium is to be prevented. They think there is still time to resolve the problem. So far, much of the smuggled material has been of limited use, such as the fragment of a nuclear reactor fuel rod seized in Munich, or the speck of plutonium found in Bremen, which probably came from a smoke detector and was of no conceivable weapons use.

Nevertheless, some plutonium, deadly even in tiny quantities, is getting through. A terrorist group could cause heavy casualties with only a few grammes of the material.

As well as the direct nuclear threat, the smuggling has produced political fall-out in Germany, Russia and the US. In Germany, the recent finds of weapons-grade plutonium have caused alarm and embarrassed the Russian authorities into denials of responsibility. In turn, the Russians' attempt to deny the problem has caused concern among officials in Washington and Bonn, who fear that little progress can be made while Russia is on the defensive.

Much of the aggressive Russian rhetoric may be public posturing for a domestic audience. Less obviously, Russia has offered co-operation with the German authorities. President Boris Yeltsin, holidaying in southern Russia, has written to German Chancellor Helmut Kohl assuring him of assistance. Russia's foreign ministry has been at pains to reinforce that message.

Such reassurance has eased fears in Washington that Russia is ignoring its nuclear responsibilities. This week's discoveries have put the security of nuclear supplies back on the political agenda; the subject will be discussed at the summit meeting between US President Bill Clinton and Mr Yeltsin next month. Until then, the US seems happy to let Germany take the lead.

The German response has, understandably, been vigorous. Even before Mr Yeltsin's letter arrived, Mr Bernd Schmidbauer, the chancellor's security adviser, was packing his bags for Moscow. He had evidence intended to prove that plutonium and other radioactive materials seized from smugglers and illicit dealers on German soil bore chemical fingerprints identifying their Russian origin. There has also been plenty of public comment. Regional politicians and legal officials have been airing their opinions on the dangers to the German population from the "Russian atomic mafia".

In part such exchanges are only political posturing ahead of the German federal elections in October. The smuggling crisis gives the Social Democratic opposition a chance to air its anti-nuclear views, while Chancellor Kohl's governing Christian Democrats can prove they are tough on Russian organised crime. Several claims made by the government seem to have seriously overstated the danger of some of the material being found. Nevertheless, Germany will press for more powers for European police agency Europol at next month's informal meeting of foreign ministers.

The forthright response by German politicians and the media is upsetting the Russians. "They talk about things they don't understand, this is unpleasant and upsets the Russians," said a German diplomat.

Privately, German and US officials agree it is important to smooth ruffled Russian feathers. Russia will accept help to build further safe stores and more sophisticated inventory controls, provided the west is not seen to be forcing Russia's co-operation. Ultimately, getting additional safeguards in place will require bilateral negotiations between Washington and Moscow.

Most agree that the Clinton administration has made a good, if slow start to tackling the long-term challenge of nuclear security. Even Senator Richard Lugar, a senior Republican spokesman on defence, acknowledges as much. "I think the *Clinton administration has accomplished a great deal*... If we had not come to a point of very substantial conversation, negotiation and control, then the proliferation problem would be out of hand. As it is, it is controllable."

One question, however, remains. Can the bureaucrats in suits act fast enough to thwart the mafia with its suitcases? If not, the threat of rogue nuclear weapons appearing throughout the world will loom much larger.

Report by Bernard Gray, George Graham, Christopher Parkes and John Thornhill

MAN IN THE NEWS: ***Michael Portillo***

Gaffes that could disable a climber

In the UK Conservative party, it pays to look tough: Baroness Thatcher made a successful career out of it. Michael Portillo, Mrs Thatcher's intellectual heir, is no pushover either, as his frequent attacks on the European Union illustrate. But bashing foreigners is one thing; kicking the crutches from under the disabled is quite another, even for the standard bearer of the Tory right.

Portillo, promoted from treasury chief secretary to employment secretary in John Major's July reshuffle, seems to have had no idea that his clumsy abolition of Britain's priority suppliers' scheme would cause a fuss. His reasoning was simple. The scheme, which allows companies employing mainly disabled people a second crack at government contracts to match lower tenders, was rarely used. In any case, the government's lawyers advised that it conflicted with an EU directive on public procurement that took effect in June. What is more, employers of disabled workers will keep their more important government subsidy of £10,000 per worker.

David Hunt, Portillo's predecessor as employment secretary, has said that he took the decision to scrap the scheme before being replaced in the reshuffle. Portillo merely made the announcement.

It all adds up to a pretty solid defence. But Portillo – dogged by demonstrators in wheelchairs on a visit to Leeds this week – looks not so much tough as heartless as he struggles to fend off the protests from organisations for the disabled. Why did he fail to ask the European Commission whether anything could be done to save the scheme before announcing its demise? Why was no attempt made to prepare public opinion before the announcement was made? And why did ministers fail to notice the impact of the directive on the scheme during talks between EU members in 1992? Portillo, who led the UK negotiating team, claims the civil service failed to alert him to the problem.

The row will blow over. But it leaves Portillo looking politically inept, and adds to the question marks over his judgment that have been piling up since he achieved his current political prominence. ideology. There has been a series of gaffes this year. It was not a good idea to tell students at Southampton University that academic qualifications in other countries were worthless. The remark looked xenophobic, even to nationalistic Tories. It was an even worse idea to plan a party at London's Alexandra Palace, complete with fireworks display, to celebrate 10 years in parliament. Portillo says the party was his constituency association's idea, but the episode reeks of self-aggrandisement, even to supporters. "Maybe it wasn't Michael's fault, but it looked as if he was getting too big for his boots. I don't think it did him any good," says a friendly right-wing Tory.

At a broader political level, Portillo has been fighting a running battle against his party's grudging acceptance of Britain's place in Europe. In two interventions, he first ridiculed the idea that the UK may "miss the bus" if it fails to take part in the next phase of EU integration, and then declared his opposition to a single currency. His remarks have kept the Euro-sceptic flag flying in the cabinet, and offered a rallying point for the third or so of Tory MPs who harbour suspicions about the European adventure. They have also angered the prime minister, who thought about sacking Portillo after his single currency comments, but settled for a qualified clarification instead.

There is no doubt that Portillo has been damaged by all this controversy. Tory left-wingers whisper that he has been over-rated; that he has been promoted too fast; that he

lacks the quality of gravitas without which no Tory can make it to the top. He is, they say, untested in a big spending department. The moment he takes charge of one (employment), the government is embroiled in an avoidable fiasco.

Dismay is not confined to the left. Only a few months ago, up to 100 right-wing Tory MPs were said to be ready to back Portillo in a leadership battle against Major. Hard estimates are harder to come by now that the prime minister has strengthened his position, but right-wingers admit that his support has softened. Perhaps fortunately for Portillo, the prospect of a contest this year has evaporated, thanks to the Tories' dire but not disastrous performance in the local and European elections in the spring.

So has Portillo peaked too early in his career? Most Thatcherites think not. They continue to believe that his time will come, mainly because he remains the only credible candidate of the right in any future leadership contest. Neither of the alternative candidates – home secretary Michael Howard and social services secretary Peter Lilley – has Portillo's ability to mobilise grassroots activists.

For those who believe that the Conservatives can only retain power by recovering the radical, campaigning passion of the Thatcher years, there can be no other choice. "Michael looks like a winner, and that puts him streets ahead of the rest of the right," says a Tory centrist. Portillo has something else going for him, too. In a pragmatic party historically shy of ideas, he is one of the few leading members who is intellectually and politically self-confident enough to engage Tony Blair's reinvigorated Labour party in the battle of ideas.

Almost alone among cabinet ministers, he has set out a coherent conservative philosophy, cleverly combining a passion for Thatcherite icons such as low taxation, sound money and individual responsibility with traditional Tory veneration for the Crown, parliament and the established church. He is not – yet – a conference darling, like Michael Heseltine, the consummate public performer. But he shares his mentor's dislike of fudge, and her willingness to attack on a broad front. He told an audience in Barcelona during an official visit: "It has recently been argued that the free market is a jungle to be tamed by governments. It is at least as plausible to argue that governments are a jungle to be tamed by the free market." That is the sort of thing that Tory activists like to hear.

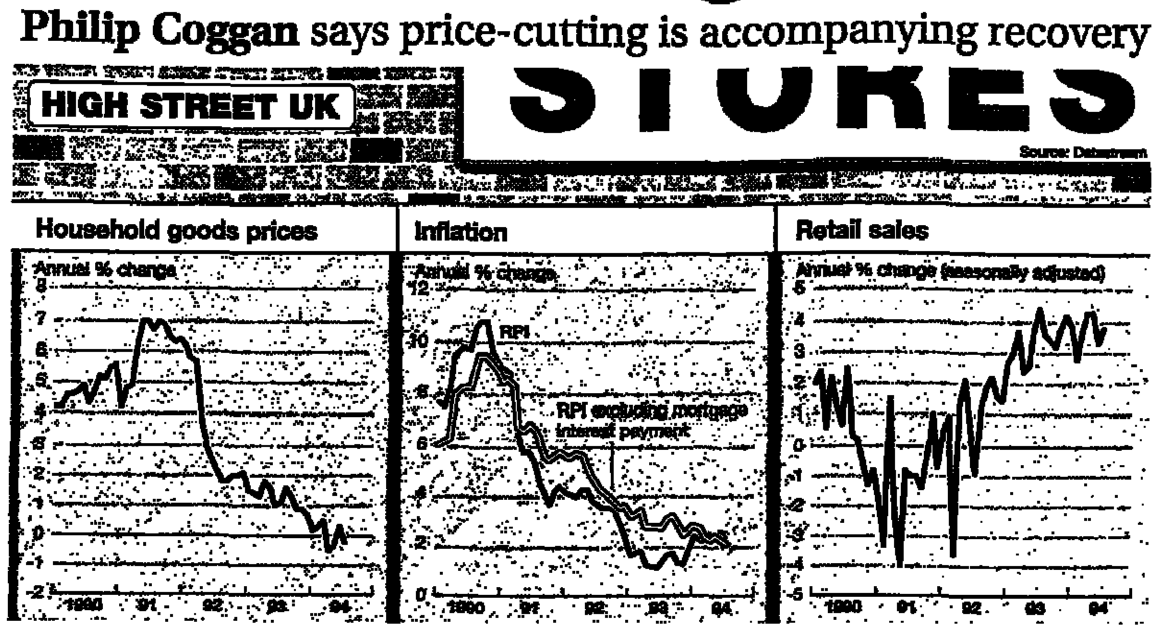
The greatest testimony to Portillo's continued importance as a symbol of the right is the prime minister's decision to give him a major department to run. But there is still hope in Downing Street that Portillo will overreach himself. There are plenty of temptations. The department's training budget, its involvement in the benefits system, and its responsibility for industrial tribunals invite attention from a politician committed to rolling back the frontiers of government.

But it would be wrong to believe that Portillo is fervidly anxious to wield the knife. Friends say he has seen the elephant trap and is aware that any further rash actions would be dangerous. With an early leadership election off the immediate agenda, Portillo has a difficult hand to play if he is to keep himself in the public eye, but avoid further damaging controversy. It could be a long game, but if he had any doubts about the need to be more judicious, the disabled workers debacle will have dismissed them.

Kevin Brown

Built from the bargain basement

Philip Coggan says price-cutting is accompanying recovery



If you are a skirt-wearing, meat-eating shopper with a penchant for electrical appliances, this has been a good year. Prices of women's clothes, lamb chops and stereo systems have all fallen in the past 12 months.

Across the UK economy, companies are growing accustomed to the idea that this recovery – unlike previous returns to prosperity – will not automatically lead to higher prices. The habit learnt by consumers and corporate customers during the recession – that it rarely hurts to ask for a discount – is dying hard.

Last month, a survey by market research group Verdict estimated the average family had saved £150 a year on food over the past year, thanks to supermarket price battles.

Why are consumers able to get such good deals? The answer is twofold: the state of the UK, and world, economy; and the retail sector's problems.

July's surprise 0.5 per cent fall in the retail prices index, announced this week, means that underlying inflation, which excludes mortgage interest payments, has fallen to an annual rate of 2.2 per cent, its lowest level for 27 years.

Even that measure of underlying inflation – which is affected by indirect tax changes, such as the introduction of value-added tax on fuel – may overstate the core figure. The British Retail Consortium of leading stores says the annual increase in the price of retail goods was just 0.9 per cent in July. Such a low level of inflation means some prices must be falling.

Some recent bouts of price-cutting have occurred in traditionally cut-throat areas, such as travel, where operator Thomson and agents Lunn Poly and Going Places announced reductions in package holiday prices for next summer. In other areas, price reductions have resulted from new entrants trying to break into competitive markets, such as supermarkets' introduction of own-label cola.

Newspaper price cuts may indicate another trend: the end of the recession and the lowering of interest rates have given companies the financial strength to attack their competitors.

"Now that companies such as News International [which publishes The Times and The Sun newspapers] have got their balance sheets in order, they can invest to gain market share, which is the strategy a price cut often represents," says Mr Douglas McWilliams, chief executive of the Centre for Economics and Business Research, the independent research group.

In the high street, seasonal sales to attract cautious consumers are a biannual event. The timing of this year's summer sales, concentrated in July rather than spread over two months, may account for the apparent sharp fall in prices. Nevertheless, annual price falls in goods from bread to furniture indicate that pricing pressures are still intense, even though the recovery is in its third year.

In part, these pressures are due to a change in consumers' attitude. Continued fear of unemployment, now at a seasonally adjusted 2.6m; the shift to part-time jobs, up by 183,000 in the year to spring; earnings increases, running at about 3.75 per cent this year; and debt levels which remain high, at about 110 per cent of disposable income, all contribute to a cautious consumer outlook.

Mr Colin Evans, chief executive of clothing chain Austin Reed, says: "In our experience, consumers are very price conscious. But they're not just looking for a bargain. They're much more aware of the price-quality ratio." He thinks the market is splitting in two: "Consumers look to certain retailers, which offer good value all the time and twice-yearly sales, while others are offering virtually continuous discounts and promotions."

Retailers in the latter category may find it difficult to escape the downward pricing spiral. One Southampton department store manager says: "Some retailers have created pricing problems for themselves, having got through the recession by launching endless sales."

Even those shops not making price cuts find it difficult to raise prices. Large store groups such as Marks and Spencer, J Sainsbury and Kingfisher have run "value for money" strategies under various titles. Ladies' wool blazers and prawn sandwiches have stayed at £85 and 99p, respectively, for the past two years at M&S. "Our underlying philosophy is we're not trying to be the cheapest, but we are trying to provide the best quality at the best price," says Ms Sue Sadler, corporate press officer at M&S.

One leading retailer says: "This is the environment that we're going to have to get used to. You win by efficiency, by your systems, by controlling costs. You improve your margins by buying better."

Small retailers have found this strategy hard to implement. They lack the bulk-buying power to compete. Price wars are usually won by the strongest players, because they can afford to sit out the initial loss of revenue involved in the hope of higher volumes to come. Mr Richard Brown, deputy director-general of the British Chambers of Commerce, says that small independent retailers (which account for about 11 per cent of total sales) face "continuing difficulties" and report little increase in year-on-year turnover.

Profit margins across retailing as a whole are slimmer. The Bank of England's quarterly inflation report, published this month, estimates that retailers' margins declined by almost 10 per cent in the year to the second quarter of 1994 – the seventh successive quarter to show a decline. "Retailers' margins as a proportion of output prices are probably at historically low levels," says the report.

It is not all doom and gloom for retailers, however. Retail sales volumes rose by a seasonally adjusted 0.4 cent in July and were 3.8 per cent higher than in the same period a year ago. Personal sector lending grew by £51m in July for the fourth successive month – the first time such consecutive increases have been achieved since 1991, indicating consumers are becoming more confident.

In the past, when consumers have gone on a spending spree, the result has been higher inflation as the supply of credit has outstripped the supply of goods. Whether a sharp rise in inflation results from the current recovery depends on the tricky question of how much spare capacity – the so-called output gap – there is in the economy. Once the economy gets close to full capacity, bottlenecks appear and prices are forced up.

Professor Tim Congdon of Lombard Street Research, an economic forecaster, believes that UK output is still 3 per cent below the economy's long-term growth trend, which makes it "very difficult to see why inflation should rise in the medium term". But Mr John Marsland, UK economist at UBS, the securities firm, thinks that capacity constraints will start to bite on manufacturers towards the end of this year. This will knock on to retail prices in six to nine months.

A bout of general inflation would be the outcome of this scenario, which would probably be good news for most store groups. "Retailers have never been afraid of a modest bout of inflation," says Mr David Simons, chief executive of Somerfield, the supermarket group formerly know as Gateway. But even pessimists think the upturn in inflation is still a year away. In the meantime, shoppers hunting for cheap blouses and cuts of meat should not be disappointed.

When the Stolichnaya factory is ailing, what does it say about Russia, asks **Chrystia Freeland**

Vodka on rocks with bitterness

These are troubled times in Russia. Defence factories are at a stand-still, cholera and anthrax are spreading across the country and gangland-style executions have become commonplace. But if Russians have one special skill it is survival, and in these difficult days many have turned to the nation's traditional source of solace: one-shot glasses of chilled Stolichnaya vodka, followed by salty fish on a piece of rye bread.

This week, even that sacred sanctum has been breached. Kristall, the factory which produces Stolichnaya, has been declared bankrupt by the government. "This is absurd," says Mr Vladimir Iamnikov, director of Kristall, puffing on a Marlboro cigarette and glancing at the bottles of Stolichnaya and 70 other hard liquors the plant produces, which decorate his office.

Mr Iamnikov is convening by telephone other anti-reformist factory directors, and their supporters, to a war council to fight this latest piece of government perfidy. "We are Russia's flagship vodka factory and vodka is the heart of everything which is Russian," Mr Iamnikov rages. "This bankruptcy proceeding is incomprehensible to us and to everyone else as well."

In fact, the government's Federal Bankruptcy Agency has started proceedings against Kristall because of the debts it has incurred. The agency, staffed by many market reformers, is eager to clamp down on inefficient state enterprises – Kristall is 51 per cent government-owned – and impose private-sector financial discipline.

Bankruptcy proceedings act as an ultimatum: either the current management shakes itself up, or the concern's assets will be sold to private investors.

With the announcement that Kristall is in the red, the bankruptcy agency's guerrilla war against Russia's ailing enterprises has hit the headlines as well as the heart (or liver) of Russia. One western banker says: "Vodka producers have traditionally been more precious to the country than even huge, powerful companies like [energy company] Gasprom."

This explains why "the Kristall affair" is taking on a significance greater than a single vodka factory with 1,000 employees would otherwise merit. It has turned into a test of the government's resolve in taking on factory directors who have become used to running their operations in old, inefficient Soviet fashion.

Mr Iamnikov says his only problem is the febrile imaginations of the government's market reformers. His factory's debts – put at 7bn roubles by the bankruptcy agency – are reasonable, he argues. He admits that Kristall is operating at only 30 per cent of its capacity but says government taxes, which he claims amount to 92 per cent of his vodka's sale price, have hit demand. Mr Iamnikov concedes Stolichnaya faces tough price competition from cheaper foreign vodkas: costing 2,300 roubles in Moscow – a little more than a dollar – per half litre bottle, Stolichnaya is expensive by Russian standards.

But Mr Iamnikov hints at darker motives behind the government's decision. "They tell me I must sell off the recreation club for my workers to pay off part of the debt, but I know what they really want," he says. "They want to get their hands on the club so they can transform it into a casino and a place to meet pretty working girls. That's all these 'reforms' have brought us."

Government officials counter that Mr Iamnikov has to explain how a vodka producer in Russia can possibly lose money. "Something not quite right is going on at that factory," says Mr Dmitri Vasiliev, deputy director of the state privatisation agency, parent organisation of the bankruptcy agency. "It's one thing when a factory which produces widgets is declared bankrupt – we have hundreds of them in Russia which should be shut down. But vodka is a liquid asset in Russia. It's as good as money, because the market can never get enough of it." State officials want to investigate why the factory has invested so heavily in gleaming new Italian production equipment, and question its high distribution and marketing costs.

Mr Narad Sarkisian, the director at the bankruptcy agency responsible for Kristall, admits that the action taken against the plant is sensitive: "For Russia, saying that Kristall is bankrupt has the same effect that the announcement that Mercedes had gone broke would have in Germany."

A former professor of aviation engineering with a degree in higher mathematics, Mr Sarkisian embodies the low-key, technocratic ethos of his agency and is perturbed by the passion the Kristall affair is generating. He says that the state will first try to convince the factory's managers to "act like real executives". But if re-education fails, Mr Sarkisian says, "we are the owners and we can do what we like: even fire the director or sell some of our shares."

Kristall, he is convinced, has potential to grow and become profitable. But to realise its strengths, the factory will need to do more than just adopt a hard-headed financial approach. Notwithstanding its cherished place in Russian life, Kristall, which sells 95 per cent of its output in Russia, is not only losing price wars with importers: the row over its impending bankruptcy is adding to a growing image problem.

When Moscow's *nouveaux riches* visit the city's restaurants and night clubs, they are increasingly ordering Absolut, a Swedish vodka, rather than Stolichnaya and the truly *au courant* avoid vodka.

"Newly rich people who want to prove that they can afford anything, prefer imported liquors," Mr Iamnikov admits sadly. As western visitors leave his office he enjoins them: "Drink Stolichnaya – not those inferior foreign whiskeys."

Barbarians at the Great Wall

Tony Walker and Shi Junbao on attempts to protect the Chinese language from foreign words

China, which has striven in its long history to preserve the purity of its culture from "barbarian" influences, appears to be girding itself for another battle against foreign invaders.

This time, the arbiters of good taste and correct thought are increasingly concerned about what is seen as a foreign assault on the sanctity of the Chinese language, both written and spoken.

Writing in the Guangming Daily newspaper this week, Mr Wang Tiekun, director of the Language Usage Bureau of the State Language Commission – guardian of the purity of written and spoken Chinese – warned that the adulteration of language revealed "people's blind faith in things foreign".

"One or two exotic words in conversation these days seems immediately to raise the speaker's status," he said. "Fix an exotic [foreign] name on a home-made product and it becomes a quality item."

Academic custodians of China's linguistic traditions appear no less concerned. At Beijing's Normal University, Professor Zhu Jinshun, professor of Chinese language, noted despairingly that the work of Cang Jie, regarded as the inventor of China's ideograms or word pictures, was being contaminated by those taking liberties with the written word.

"It seems there are many would-be Cang Jie's around today," he observed.

At a deeper level, officials and educationalists worry that the eagerness with which Chinese are grasping things foreign – from fashion to language – reveals a crisis of confidence in local culture.

Like France, which has legislated to protect the French language, China is proposing to do the same with a draft bill, known as the Language and Characters Law, that would seek to prevent further adulteration of the written and spoken word. Standards would be laid down for the national spoken language of *putonghua*, literally standard Chinese, which is based on the Beijing dialect. *Putonghua* was adopted officially as the national language in 1956 in what China's communist rulers regard as one of their main contributions to unifying the country.

Written Chinese would also be protected under the law by making it an offence to use foreign words in official publications, and in the media, which increasingly has been experimenting with exotic modes of expression.

"Foreign words," said Mr Yuan Zhongrui of the State Language and Characters Regulatory Commission, "should be banned from government reports, text books, government-sponsored newspapers and children's books."

But the authorities face enormous difficulties purging written and spoken language of foreign influence, not least because of the difficulties of translating everyday technical terms used in the west into Chinese.

For example, Chinese publications have simply begun using the letter "X" combined with *guang meaning light*, to refer to x-rays instead of characters giving a phonetic approximation of X. Likewise, ultrasound, which is extremely complicated to represent in Chinese ideograms, is symbolised by the letter "B" combined with *chao*, meaning ultra. Compact disc, which would require four characters translated as *ji guang chang die*, literally "laser singing disc", has become CD, quality control has become QC, and so on.

Officials worry the taste for foreign things reveals a crisis of confidence in local culture

The dawning of the age of modern communications in China has also brought with it words and sounds that defy easy translation. Thus a beeper, which has become a standard item in telephone-starved China, is referred to as a "BP" combined with *ji*, meaning machine. No attempt has been made to transliterate Motorola, one the main purveyors of beepers which is pronounced simply "Motuo-luo-la".

Among the more susceptible areas of Chinese language are those describing the night culture that has permeated China's cities since the passing of the gloomy Mao era. People now simply refer to a bar as a bar, instead of the traditional *jiuba* or "wine shop". A nightclub is, well, a nightclub, not a *ye zhong hui*. The pervasive *karaoke* bar is represented by Chinese characters for *kala* with OK tacked on.

Language purists accuse the advertising industry of being one of the main culprits in the perversion of written and spoken Chinese, including an assault on basic grammar. Thus, advertising copywriters are turning adjectives and nouns into verbs in their effort to get their message across. For example, it has become fashionable in the advertising trade to employ the word health as a verb as in "to health".

China's arbiters of language blame not only the west for the slide in standards, but also their brothers and sisters from Hong Kong and Taiwan. Cantonese soap operas have made a big impact across China, introducing words like "mummy" and "daddy" in place of "mama" and "baba" which are conventional *putonghua*.

Official attempts to stop the rot do not necessarily find favour with modern Chinese writers. Wang Shuo, China's most popular modern writer whose earthy idioms have made him something of a cult figure, is scornful of the linguistic bureaucrats.

"It's inevitable that more and more foreign words should come into the language which is ever-changing," he said. "Let me ask those who are trying to safeguard the purity of the Chinese language: what and where is the purest Chinese? Show me! Even the Beijing word *hutong* (alleyways that criss-cross the old city) is borrowed from Mongolian."

Geremie Barmé, an expert in Chinese language and author of books on art, literature and politics in China, is another who scoffs at the linguistic puritans. "The purity of modern Chinese language is a fiction," he says.

Spoken and written Chinese during communist rule had been deadened by political jargon from Marxism-Leninism and the accompanying mass propaganda campaigns. Modern Chinese was "immature" and tended to be devoid of subtlety of expression. By contrast, Mr Barmé says, the use of language in Hong Kong and Taiwan is much richer.

In one respect spoken Chinese has resisted foreign influences and that is in the use of profane language. "We have many more swear words in Chinese so we don't need to borrow any more," said Mr Yuan of the State Language and Characters Regulatory Commission.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. *Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution*

Just abortion in disguise

From Mr Nicholas Coote.

Your leader "Controlling population" (August 18), emphasising the empowerment of women and putting into context the effects of population growth, was most welcome and would be gladly endorsed by the Catholic church. However, your claim that the Vatican has been encouraging nations to boycott the UN Cairo conference on population is surprising.

The Vatican itself will attend the conference in its UN observer status, and indeed has been denounced by some for lobbying national governments to improve the text of the draft programme of action.

A consensus was reached 10 years ago that abortion should not be admitted as a way of population control. This does not bar attempts to reverse that consensus, and the US government, for instance, has relaxed its previous criteria for aid allocation. The Cairo draft programme has also introduced the new concepts of reproductive rights and reproductive health, which reintroduce abortion into family planning under the guise of health programmes.

The Vatican, and others, have reason to stand by the previous consensus and resist the new changes suggested.

Nicholas Coote,
assistant general secretary,
Catholic Bishops' Conference of England and Wales,
London SW1E 5LD

Western funds key to plutonium storage

From Mr Roger Hayes.

Sir, Disarmament of nuclear weapons is a very good thing, but it also poses its own dangers ("Russians deny arms plutonium was theirs", August 16). On average a nuclear warhead contains 3kg of plutonium and 15kg of highly enriched uranium (HEU). In total, disarmament is releasing an extra 12 tonnes of plutonium and 60 tonnes of HEU per year.

Regulations governing the civil nuclear industry are rightly very strict. However, surprisingly, there is no international regulation governing the disposal and storage of plutonium or HEU retrieved from nuclear bombs. Given the almost insurmountable problem third world countries have in producing their own weapons grade material, there must be a strong desire to lay their hands on the ready made stuff.

In Russia there is no proper long-term storage facility for plutonium. Stocks are being kept in interim storage facilities, many of which are totally inadequate from a security and safety perspective. Russia is designing a proper plutonium waste repository, but it has run into difficulty in funding the design costs. It is also very doubtful whether the Russian government will make available the many millions of dollars needed to see the repository built.

International funding is, therefore, the key question. To their credit, the Russians have offered the US or the International Atomic Energy Agency the right to supervise and control how the plutonium is stored, in return for financial assistance. The latest reports of plutonium smuggling suggest this is worth pursuing.

The good news relates to the *HEU. The Russians have* signed a deal, worth between $7bn and $9bn over 20 years, with the US to dilute HEU. The US plans to use the diluted material as fuel in its reactors, a real case of swords into ploughs.

Roger Hayes,
British Nuclear Industry Forum,
London SW1E 6LB

'Going rate' preferred to performance pay

From Mr Rupert Willis.

Sir, Martin Wolf's "Productivity and pay" (Economic Eye, August 15) did an excellent job of debunking the damaging conventional wisdom that increases in a company's productivity should lead to increases in the wages that it pays.

After 15 years of Conservative politicians telling us that the "going rate for the job" was in fact outmoded, it was about time that someone pointed out that a "going rate" is precisely what the theoretical ideal – a perfectly competitive labour market – would generate.

The evidence on pay differentials cited also suggests that deregulation and decentralisation of pay bargaining have in fact been counter-productive, reducing the degree to which observed labour market outcomes correspond to this theoretical ideal.

This is unsurprising. Decentralisation of pay bargaining increases the scope and need for firms to pay efficiency wages to retain high levels of effort and to retain the trust and sense of legitimacy in the workplace that are required to maintain high productivity levels.

If companies cannot point to industry wage norms to establish a legitimate "going rate", then they are obliged to link pay more closely to the company's performance, with deleterious effects on the wider economy.

Rather than trying to improve labour market performance by dogmatic deregulation, we ought perhaps to be trying to develop an institutional framework that generates efficient outcomes, which "mimics" the ideal market, without requiring us to assume that the market for labour operates in practice in the same way as the market for fish.

Rupert Willis,
upper flat,
53 Casewick Road,
West Norwood,
London,
SE27 0TB

No justice in partial pay-offs

From M S Lee.

Does every manager and employee at Reed Elsevier get the same standards of treatment when they resign over disputed management responsibilities?

Does every manager and employee, when asked to leave or made redundant by Reed Elsevier, have future pension entitlements included in their pay-off?

M S Lee,
5 Hatfield Court,
Camberley,
Surrey,
GU15 3LW

The fewer 'food miles' in the consumer's basket the better

From Mr Michael Keating.

Sir, In his letter to you ("Many 'food miles' apart", August 16) Hugh Raven introduces the intriguing concept of "food miles" representing the distance that agricultural products have travelled before they reach the consumer in the supermarket.

He feels that anyone concerned about Britain's food trade gap and about the quality of life in general should take "food miles" into account before buying a product.

Does he or any of your readers have a notion as to how, in practical terms, these could be calculated? What would induce the retailer or supplier to bother to do so? And would it be possible to devise a scheme, presumably a variant on those promoted by many airlines, whereby consumers or retailers benefit from collecting "food miles", presumably the less the better?

Michael Keating,
Media Natura Trust,
London WC2H 9NS

Somerfield at £33.5m following restructure

By Neil Buckley

Somerfield, the supermarket group formerly Gateway, said yesterday it hoped for a stock exchange flotation within the next few years, as it reported pro-forma pre-tax profits of £33.5m for the 53 weeks to April 30.

The results are the first since the financial restructuring of the Isosceles/Gateway group last July. There are no comparative figures.

However, the profit, after interest charges of £32.8m, was the first post-interest profit the group has made since running into financial difficulties in the early 1990s, and suggested it was staging a recovery.

Before profits of £300,000 on the sale of fixed assets, the operating profit was £66m, on turnover of £3.11bn.

Mr David Simons, chief executive, said the "price check" programme of price reductions the group launched in May last year had led to like-for-like sales growth, which excludes new stores, of 13 per cent and which was the highest in the industry.

He said like-for-like growth since the year-end was still running at 5 per cent, in spite of moving into a period of stronger comparative figures from last year, suggesting there was no need to cut prices further.

"This is the first time in five years we have seen an upturn in sales, and represents a dramatic turnround," Mr Simons said.

"We think a fragile equilibrium has returned to the grocery market, and we have no plans to cut prices further ourselves. But we will definitely respond to any moves by our competitors."

Mr Simons added that the sales increase had lifted Somerfield's market share from 8.6 per cent to 9.2 per cent.

Capital spending in the year was £76m, mostly spent on refurbishing the stores and installing checkout scanning systems.

Some 47 stores had been refitted and converted to the Somerfield name by April 30 – in addition to 60 stores already trading as Somerfield.

A further 40 stores had been converted since the year-end, taking the total to 150. Refitted stores had experienced average sales increases of more than 10 per cent.

The group also opened five Food Giant discount superstores, taking the number to 26. Mr Simons said the group was talking to a potential partner from outside the UK about developing the chain further.

In last year's financial restructuring, Somerfield was ring fenced from all but £500m of the £1.4bn debt of its parent, Isosceles. Average borrowing for Somerfield this year was £438m.

No dividend is being paid by Somerfield to its parent, but Mr Simons said this was not required under the restructuring agreement.

"The prime objective is to develop and strengthen the business, get the profits moving upwards, so we can move to a flotation. We have £3bn turnover; we should be a quoted company," Mr Simons said.

Proceeds of the flotation would be used to reduce Isosceles' debt.

Mr Simons said he could not say when a flotation might take place, but was hopeful it could be before 1998.

Thomas Jourdan recovery continues

Thomas Jourdan, the maker and marketer of consumer goods, continued its recovery in the first half of 1994 with operating losses on continuing businesses falling from £146,000 to £40,000.

However, after charging £3.65m this time for goodwill previously written off to reserves and £221,000 closure costs for two businesses – Woodstock Furniture and Corby France – the pre-tax deficit came out at £4.17m, against £465,000 restated for FRS 3.

Mr Keith Whitten, chairman, pointed out that the goodwill write-off had had no effect on either cash or shareholders' funds and added that the combined closure costs of the two subsidiaries were at the lower end of his earlier estimates.

As a supplier to the retail trade, the bulk of turnover and all profits would be earned in the second half, in the period before Christmas, he explained.

"Our companies are in general trading significantly better than last year, in what is still a very modest improvement in demand for consumer products over the market as a whole."

First-half sales on continuing operations were £8.97m (£8.36m) and losses per share on the same basis came to 0.89p (1.49p). A maintained interim dividend of 0.5p has been declared.

Gearing at 46 per cent was substantially unchanged from last June's level – the increase from the December level of 19 per cent reflected the usual seasonal movement.

London City bid for Towles unconditional

The offers by London City Equities for Towles A and B preference shares have become unconditional as to acceptances.

London City has received acceptances in respect of 87 per cent of the B preference shares, 74 per cent of the ordinary shares and 41 per cent of the A ordinary.

Hozelock profit forecast increased after hot summer

By Tim Burt

Shares in Hozelock yesterday climbed 13p to a post-flotation high of 286p after the garden equipment manufacturer forecast higher than expected profits following Britain's hottest summer for more than 10 years.

The company, which came to the market last November at 250p, said the dry weather had increased demand for products which include sprinklers and pond pumps.

Although the shares dipped to 232p in March after heavy spring rainfall, the group said it was set fair for the rest of the year.

"It's been a great summer. Productivity has improved and we've had to retain temporary workers who would normally have been laid off in June", said Mr David Codling, the chief executive.

His comments persuaded City analysts to upgrade their full year profit forecasts from £6m to £6.75m.

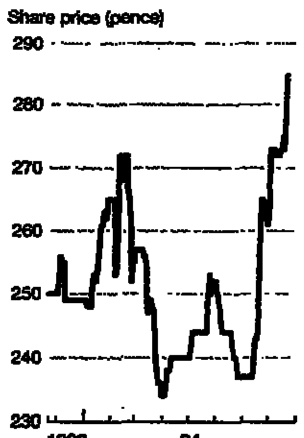
The group also expects to exploit increased demand with the opening next month of a new £8.5m factory at Sutton Coldfield, in the Midlands.

Mr Codling said the plant would increase production capacity by 50 per cent and increase the peak season workforce to more than 700.

Trading in continental Europe, meanwhile, was starting to pick up following a slow first half.

Hozelock Group

Share price (pence)



Source: FT Graphite

Brewers' spirits gain more froth

Some optimism is returning to the industry. Christopher Price reports

Like their summer ales, brewery executives have been in a lighter mood in recent months. The decline in beer sales is showing signs of slowing, and the wholesale price wars which have pulverised the industry are begining to abate.

News last week that both the Treasury and a parliamentary committee are to examine the rate of excise duty – the industry's current big bug-bear – has added further froth to brewers' spirits.

"A small amount of optimism is beginning to creep into the industry," conceded Mr Anthony Fuller, chairman of Fuller Smith & Turner, the London-based brewer. "It's early days yet, but things might be on the turn."

The picture has been brightened by the hot summer weather, giving some relief to the embattled pub trade and accelerating sales at off-licences, which were also lifted by an increase during the World Cup.

Although beer sales are forecast to fall again in 1994 as a whole, continuing the trend of the past 15 years, the decline is slowing. In 1983, UK beer consumption stood at 38.3m barrels. Last year, it had slipped to 35.6m, with industry forecasts for the current year down at about 35.2m.

Kleinwort Benson, the stockbroker, predicts that the 1.6 per cent year-on-year fall in sales seen in the past five years will ease to 1 per cent this year. It says these will continue for several years hence as cultural and demographic changes continue to affect the industry.

"Basically, the population is getting older and drinking more wine at home," says Mr Andrew Holland, Kleinwort's brewing analyst.

The industry has been slow to adapt to the decline, and excess capacity has resulted in a vicious price war in the wholesale market. "The major companies have nailed their colours to the mast of market share, which they've been defending whatever the cost," said Mr David Thompson, managing director of Wolverhampton & Dudley Breweries, the Midlands-based brewer. "It's still having an adverse effect on margins."

Mr Holland is moderately more upbeat. "Things are definitely not getting any worse. The big brewers now realise that their wholesale pricing policies are just not working and have to be changed."

This is likely to mean more brewery closures. In a recent report, SG Warburg, the merchant bank, suggested that the beer industry producing at 90 per cent capacity was still capable of producing 17 per cent more beer than it could sell.

Some companies, such as Boddington Group and Greenalls Group, have quit brewing to concentrate on retailing.

"More capacity will have to come out and I suspect some will not survive the bloodbath that's been going on," said Sir Paul Nicholson, chairman of Vaux Group, the Sunderland-based brewer. "I remain cautious over any great recovery."

Eleven big brewing plants, capable of producing 7m barrels a year have closed in the past three years.

Courage, which ironically has been the most aggressive in protecting its market share at the cost of reduced margins, is now being mooted by industry sources as the most likely candidate to call a halt to pricing hostilities and reduce capacity.

The combined effect of the price war and falling sales has had dire consequences in the pub trade. Some 7,000 pubs have shut in the past 10 years, and the closure rate of the remaining 65,000 is expected to accelerate to as much as 2 per cent a year, according to the Brewers & Licenced Retailers Association.

However, there is growing optimism in the industry that the increasingly vociferous campaign to have beer duty reduced in the November budget is at last being listened to in Whitehall.

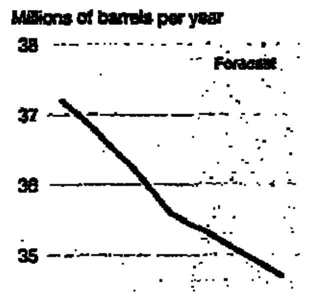
The BLRA says it is the high rate of excise tax on beer that has fuelled the dramatic rise in imports – more than 1m pints a day, it claims – from the Continent since regulations on allowances were relaxed.

Mr Thompson, at Wolverhampton & Dudley, even suggested that without this huge rise, UK beer sales would actually be on the increase. "Without this relentless pressure from across the Channel, we will not see the big uplift in demand the industry needs."

However, industry analysts think their chances are slim. "The government is hardly going to cut beer duty at the same time that it is increasing VAT on fuel for pensioners," said Mr Geoff Collyer at NatWest Securities. "It would be political suicide. The best the brewers can hope for is no duty increase at all."

UK beer consumption

Millions of barrels per year



Source: BLRA/Kleinwort Benson

Tony Andrews

Beer sales expected to show only 1 per cent fall this year

Union International calls in receiver at New Zealand arm

By Terry Hall in Wellington and Simon Davies in London

Union International, the food processor and distributor controlled by the Vestey family, has called in a receiver for Weddel, its lossmaking New Zealand business, after it was unable to get bankers to support restructuring plans.

Up to 3,500 people employed at the company's four plants, were yesterday told they no longer had jobs. The shut down marks one of the biggest loss of jobs in New Zealand's industrial history.

It also marks the end of an association between the Vestey family and the New Zealand meat industry that goes back to 1900.

Mr Terry Robinson, chief executive, described the move as "very sad". He said Union had endeavoured to push through a group restructuring which could have returned the business to profit, but could not get the necessary short-term financing.

The New Zealand business had been ring fenced, and its collapse will have no meaningful impact on the parent company.

The Weddel group has four large works which slaughtered 10 per cent of the country's sheep and 15 per cent of the beef cattle. It was the fourth biggest meat processor and exporter in the country.

Mr Robinson said the company had made a profit of close to NZ$20m (£7.8m) in the year to September 1992, but had since been hit by overcapacity in the industry, and slackening demand from the US.

Mr Alan Isaac, the receiver, said Weddel's problems were similar to those of the rest of the industry: too much slaughter capacity for a dwindling amount of stock, too much competition, and adverse exchange rate movements.

He said Weddel had secured debt of NZ$170m and unsecured creditors, including staff and farmers, who were owed NZ$35m.

Mr Isaac is also acting as receiver for Fortex, another large meat processor which collapsed five months ago with losses of about NZ$160m.

A Weddel statement said that every effort had been made to restructure the company. Earlier this year Union abandoned attempts to float part of it through the New Zealand Stock Exchange.

Union has had its own financial difficulties, and under a standstill arrangement with its bankers in 1992 it was unable to provide capital for its New Zealand subsidiary.

Union's debt peaked at £420m, but following the agreement with its banks in 1992 it has pursued a policy of asset disposals. In 1993 it sold £100m of businesses in the UK, Brazil and Australia and at the end of 1993 it had net debt of £124.6m.

Benson lower after exceptionals

Exceptional charges left Benson Group, the engineering group, with lower pre-tax profits of £233,000 for the year to May 31, against £1.92m. However, before allowing for exceptionals of £2m profits showed a 16 per cent rise.

The exceptional charges related to the cost of acquisition and integration of two companies and the disposal of Wolverhampton Pressings.

Turnover increased by 10 per cent from £25.8m to £28.3m, of which acquisitions contributed £1.27m. Operating profits rose 13 per cent to £2.76m (£2.45m) with operating margins improving from 9.5 per cent to 9.8 per cent.

There was a cash inflow during the year of £2.34m (£655,000). With £1m being spent on capital investment and £1.6m on acquisitions total debt at the year end was higher at £5.57m against £4.51m, however it was lower than at the half year.

Mr Richard Phillips, chairman, said that as the economic background improved, growth could be expected in the group's markets.

The products division reported a strong improvement with the environmental side showing significant growth in turnover and profits.

Higher automotive volumes assisted the results for the components division where turnover, adjusted for the effect of the Wolverhampton Pressings disposal, rose by 12 per cent.

Earnings per share fell from 1.45p to 0.18p and the dividend is 0.33p (0.3p) with a recommended final of 0.23p.

The shares rose 1½p to 16p.

Tiphook directors' pay rises

By Simon Davies

The directors of Tiphook, the transport leasing company, fared better than their employer last year, with total remuneration climbing from £3.96m to £6.41m in the year that Tiphook lost £331m.

The annual report, released yesterday, reveals that Mr Robert Montague, the founder and chief executive, was the highest paid of the directors, with a bonus of £250,000 helping push his total pay from £1.17m to £1.34m.

Mr Montague, who recently stepped down as chairman, has agreed to a substantial cut in pay from an £816,000 package down to £200,000 as of March, but will receive a total minimum bonus of £250,000 over the next five years.

Mr Montague also agreed, as part of Tiphook's sale of its container leasing business to TransAmerica, that he would not compete with their container operations for five years. The latest bonus was agreed in order to recompense him for this agreement.

Bristol Scotts board removes chairman

By Roland Adburgham, Wales and West Correspondent

The chairman of Bristol Scotts, the lossmaking property and leisure group, has been replaced in the latest stage of a boardroom power struggle.

Mr Anthony Kerman was asked to resign when the board met after the company's annual meeting on Thursday. He was then removed as chairman on a majority vote, and Sir Ian Rankin, a shareholder who became a non-executive director in December, was elected as his successor.

Mr Kerman had been re-elected by the annual meeting and remains a director, as does his father Mr Isidore Kerman and brother Mr Nicholas Kerman. There are four non-family directors.

Sir Ian was proposed as chairman by Mr Ian Stevens, a substantial shareholder who also joined the board last December. In 1993 the company incurred pre-tax losses of £246,073.

● The company also announced that it was holding talks with parties interested in buying its Eastgate Retail Park property. A further announcement would be made should contracts be exchanged.

NEWS DIGEST

Severn River up 27%

Severn River Crossing, which is building a privately financed bridge via a UK/French consortium with John Laing-GTM Entrepose as main contractor, yesterday announced pre-tax profits up 27 per cent from £6.14m to £7.78m in the six months to June 30.

The cable-stayed bridge over the River Severn, one of the largest construction projects in the UK, was started in April 1992 and the company said recently that it was on schedule to be completed in spring 1996.

In June this year the company sacked 700 construction workers after a 24-hour strike over pay. Work on the £300m bridge between England and Wales stopped for a week but the workers were later re-hired.

The company, which took over the running of the existing Severn Bridge, has attracted criticism over the tolls being charged.

Turnover for the period was £18.72m (£16.41m) and the net profit £6.81m (£4.71m) after a reduced tax charge.

English and Scottish Investors assets fall

Net asset value at English and Scottish Investors, the investment trust, fell 7 per cent from 141.4p to 134.4p over the six months to July 31. The fully diluted figure showed a fall from 135.4p to 127.1p.

However, on the back of an increase in income from investments of £4.63m (£3.58m) net revenue for the half year to the end of July came out 74 per cent ahead at £2.59m (£1.49m).

Earnings per share were 1.6p (0.92p) and the interim dividend is 0.55p (0.5p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Benson Group ......fin	0.23	Nov 4	0.2	0.3	0.33
Jourdan (Thomas) ......int	0.5	Jan 4	0.5	-	1
Lazard High Inc ......fin	1.057☆	Oct 14	-	5.867	-

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆ Interim 0.573p also announced for current year.

INTERNATIONAL COMPANIES AND FINANCE

Lufthansa on course to resume paying dividend

By Christopher Parkes in Frankfurt

Lufthansa, the German flag-carrying airline, said it expected to make an operating profit this year and confirmed earlier suggestions that it would resume dividend payments.

The company, which last paid a dividend on ordinary shares in 1989, updated earlier estimates and reported pre-tax earnings for the first six months of DM105m ($68.2m) compared with a DM221m deficit last time.

Higher sales had been reflected in increased earnings for the first time in years, it said. The same applied to average yields in passenger traffic.

Lufthansa, which is preparing for the first tranche of a two-stage rights issue in the next few weeks, is still majority-owned by the German government. However, Bonn has said it will dilute its holding by not taking up its rights, in accordance with its privatisation plans.

The airline has been a strong favourite in the German stock market lately, as news of its progress has dribbled out. After crashing to losses of DM426m in 1991, and deficits of DM390m in 1992 and DM92m last year, analysts expect it to earn between DM100m and DM200m net this year.

According to the company, a 7.8 per cent cut in the workforce, coupled with increased sales had lifted productivity per employee by 18 per cent over the same part of 1993.

Labour costs fell 4 per cent and, although the number of flights rose 7.5 per cent, fuel costs fell. The group, which includes the Condor charter fleet, carried 17.6m passengers in the review period, a rise of 3 per cent.

Freight tonnage, a particularly strong performer at its home base in Frankfurt airport, rose 18 per cent.

In a separate development, local politicians said the Frankfurt city authorities might be prepared to sell part of their 28.9 per cent stake in Frankfurt airport.

Although the Social Democrat administration remains sceptical about privatisation, budget constraints and falling tax revenues have forced it to seek other sources of income.

Other main stakeholders in the airport are the government of the state of Hesse, with 45.2 per cent, and the federal government with 25.9 per cent.

Varig loss doubles to $245m

By Patrick McCurry in São Paulo

Varig, the Brazilian airline, reported a loss of $245m for the first half of 1994, more than double the $117m deficit for the same period last year.

Brazil's economic problems, continued high operating expenses and leasing and interest costs were largely responsible for the deterioration, Varig said.

Varig launched a financial restructuring in March, suspending payments on 50 leased aircraft and returning five, and renegotiating lease agreements. It also announced the loss of 2,600 jobs.

However, in the first half of the year the company's financial costs increased by $24m, to $145m, compared with the same period last year, while flight operating costs increased by $59m, to $695m. Varig also highlighted an exchange-rate loss of $37m, caused by the appreciation of the yen against the dollar.

On Tuesday the company, which is controlled by an employees' foundation, announced it would be offering seats on its board to creditors General Electric and McDonnell Douglas in return for help in restructuring a $600m Exim-bank-financed debt. It will also offer a seat to a representative of its Brazilian creditor banks, to which it owes about $250m in short- term financing.

According to Varig, the restructuring measures will represent annual savings of $300m by 1996.

The company says it is making an operating profit on its domestic routes, where it has a 50 per cent market share, but is losing money on international flights due to overcapacity and fierce competition from US airlines.

Funding first for Hongkong Bank

By Louise Lucas in Hong Kong

Hongkong Bank yesterday launched its maiden floating-rate certificates of deposit (CDs), raising a minimum HK$1bn to secure medium rate funding.

The CDs are likely to become the first private debt issue eligible as collateral to the discount window run by the Hong Kong Monetary Authority, the colony's de facto central bank.

Ultimately, this should enable the bank to raise funds at more favourable terms, as the CDs may be able to be to be used in sale and repurchase agreements (repos). The bank would need to secure an A- rating for the CDs before the HKMA will accept its bid. If Hongkong Bank is successful in securing the rating, this would be the first issue by a commercial bank to be accepted as Repos.

Bankers expect the final size of the issue, which marks the colony's biggest deposit-taker's first floating-rate CD market, to swell to double or even treble the original HK$1bn.

The three-year CDs will be priced at 25 basis points above the one-month Hong Kong interbank offered rate (Hibor), which stood at 4.8 per cent yesterday.

The HKMA amended its rules in March, paving the way for certain instruments other than exchange fund bills and notes and government bonds to be used as collateral for the liquidity adjustment facility.

Hongkong Bank last tapped the debt markets in a big way last November, when it raised HK$3bn through a 10-year subordinated collared floating-rate note. Hang Seng Bank, the Hong Kong banking subsidiary of HSBC, tapped the CD market for HK$2.2bn in May this year.

Indonesian cement group ahead 77%

By Manuela Saragosa in Jakarta

PT Semen Cibinong, Indonesia's second-largest cement producer, increased unaudited net income by 77 per cent to Rp14.2bn ($6.6m) in the six months ended June, compared with a year earlier.

The performance was underpinned by active construction and cement demand and last year's acquisition of Semen Nusantara. Net sales jumped almost 75 per cent to Rp224bn, while earnings per share rose 31 per cent to Rp156.

"The results reflect the early benefits of the consolidated marketing and operations of Semen Cibinong and Semen Nusantara," president Mr Hashim S. Djodohadikusomo said.

Semen Cibinong bought Nusantara in July last year. It is the only cement company with production facilities in central Java, one of Indonesia's fastest growing areas.

Solid sales growth at Reliance Industries

By Shiraz Sidhva in New Delhi

Reliance Industries, the textiles and petrochemicals conglomerate, boosted first-quarter sales by 25 per cent, and is confident of improved results for the year.

Mr Dhirubhai Ambani, chairman and managing director, told the annual meeting yesterday that sales rose to Rs16.48bn ($525.3m) compared with the first quarter of last year.

"Reliance has emerged as India's largest corporation in terms of sales, gross profit, net profit, net worth and assets," Mr Ambani said. He added that India's liberalisation programme had given the company "unprecedented freedom to set new and even more ambitious goals", meaning there had been "an all-round improvement" in the group's performance.

Reliance achieved a record total income of Rs54.61bn last year, with a net profit of Rs5.75bn on sales of Rs53.45bn, compared with last year's profit of Rs3.22bn on sales of Rs41.06bn.

Mr Ambani said the Rs50bn expansion programme, most of which was dedicated to the construction of new plants at Reliance's Hazira petrochemicals complex, could allow the the company to emerge as a "world ranking player".

The first of the new plants is expected to commence production from early 1995, increasing the company's production capacity to 6m tonnes from 1.4m tonnes.

Reliance's capacity for the production of polyester will increase to 550,000 tonnes a year from 200,000 tonnes, making it one of the top 10 polyester producers in the world. The company's petrochemicals complex at Jamnagar in Gujarat will house the world's largest paraxylene facility. Production capacity of this feedstock material will rise to 1.38m tonnes a year.

NEWS DIGEST

Soros takes Colombian bank stake

Mr George Soros, the international investor, has taken a 9 per cent stake in Banco de Colombia, one of Colombia's biggest banks, Reuter reports from Bogota.

The shares were acquired from Bancol, which controls the bank, according to a Bancol source.

A source at Citivalores, the Colombian brokerage which carried out the transaction on the Bogota stock market, said the deal involved Bancol selling approximately 9 per cent of Banco de Colombia stock for about $62.5m.

Bancol, which is a holding company controlled by the Gilinski family, bought 75 per cent of Banco de Colombia from the Colombian government when the bank was privatised at the start of the year.

Last May, the Gilinskis applied to the Colombian Securities Superintendency for authorisation to sell a stake of up to 9.5 per cent in the bank.

S African retailer surges 68% for year

Wooltru, the South African food and clothing retailer, boosted net income 68 per cent to R255.7m ($71.6m) in the year to June 30 from R151.8m a year ago, reports Mark Suzman in Johannesburg.

Sales grew 20 per cent to R6.68bn from R5.56bn, while net income before tax rose 57 per cent to R389.8m from R247.6m last year. The dividend was raised 40 per cent to 28 cents, up from 20 cents.

Mr Colin Hall, chief executive, expects the company's strong growth to continue. "The results are excellent. All the divisions have performed very well indeed," he said.

The growth came from all three main divisions, with flagship Woolworths leading the way with a 21 per cent advance. It attributed this to improved systems and logistics and the successful introduction of an in-house charge card to all stores.

The company has decided to issue the final dividend of 18 cents in the form of scrip by way of a capitalisation issue rather than a cash payingment.

Highland Gold hit by lower production

Highland Gold, the Papua New Guinea-based mining company controlled by Queensland's MIM group, said profits in the year to end-June fell to K21.6m ($22.9m), compared with K26.3m in the previous year, reports Nikki Tait.

The downturn was largely blamed on lower production from the large Porgera gold mine, in PNG's Enga province, in which Highlands has a one-quarter interest. Higher production costs there also contributed to the fall.

Highlands' revenues in the year amounted to K107.5m. Its share of Porgera gold production was 294,417 ounces at an average realised price of US$369 per oz.

There were no abnormal items, either in 1993-94 or 1992-93, and operating profits last year stood at K35.8m kina against K49.9m.

Pioneer sees signs of profits recovery

By Gordon Cramb in Tokyo

Pioneer, the Japanese maker of audio and video products, believes it is on the way to recovery after a series of operating losses blamed on the strong yen, domestic recession and price-cutting by competitors.

Foreign exchange gains and royalty income, together worth nearly Y2.7bn ($27.2m), enabled Pioneer to report a marginal group net profit of Y257m for the first quarter ended June, down steeply from the previous Y6.86bn. Last year's quarterly figure was larger than the Y6.57bn achieved for the whole of the year, as the profits decline deepened through 1993.

Pioneer is curtailing capital spending by a further 2.5 per cent, to Y28.3bn, this year. However, it is boosting research and development outlays by a modest Y200m to reach Y29.9bn, as its seeks new products to stimulate consumer demand.

The group warned of "stiff and unrelenting competition in our major markets", and said the direction of the Japanese economy and the yen were uncertain. However, it is forecasting Y8bn in consolidated net profits for the year.

First-quarter sales fell 6.6 per cent to Y116.3bn, with domestic and overseas demand both down. Video products were up 4.9 per cent, but car electronics, its biggest sector, showed a 9.5 per cent decline.

Sales of audio-visual software such as compact discs dived 35.1 per cent in the absence of hit records. The sector, which the company separated out yesterday for the first time, contributed Y8.85bn, less than one-tenth of all revenues.

The decline in profits was made more acute by the inclusion last time of a Y4.88bn extraordinary credit reflecting a change in tax accounting. Stripped of that, quarterly net earnings per share a year ago were Y11.02 compared with Y1.43 in the latest three months.

Goodman Fielder board studies call for overhaul

By Nikki Tait in Sydney

The board of Goodman Fielder, the embattled Australian food group, is due to meet today to discuss its response to the requisitioning of an extraordinary general meeting by three big institutional shareholders and Mr Doug Shears, a Melbourne-based businessman. Mr Shears acquired a small interest in Goodman when he sold his Uncle Toby's group to Goodman in 1992.

The unhappy investors – who include the Australian Mutual Provident, Bankers Trust and the State Authorities Superannuation Board – are seeking to overhaul the Goodman board.

Their requisition notice suggested that two executive directors – Mr Barry Weir, managing director, and Mr Michael Brown, finance director – be reappointed, but that votes been taken over the removal of the remaining seven incumbents.

The dissidents have put forward four potential replacement names. These include Mr Neil Lister, an executive with one of Mr Shears' companies; Mr John Keniry, a former Goodman executive; Mr Jon Petersen, formerly with Mars' Asian division; and Mr Ken Nielsen, a former chairman of Unilever Australia.

Goodman Fielder was built up through a series of acquisitions during the late 1970s and 1980s under its former New Zealand-based chairman, Mr Pat Goodman. Today, it spans businesses ranging from food ingredients such as gelatine to cereal-based foods such as pasta and bread.

Although a large player in some local markets – such as bakeries – it has posted poor returns recently. Net profit before abnormals was A$117.2m (US$86.8m) in the year to end-June 1993, on sales of almost A$4bn. The previous year's figure was A$108.1m.

Despite speculation that Goodman could be ripe for takeover, no industry buyer has stepped forward.

Earlier this year, Mr Barry Weir – who took over as managing director in December – told shareholders the group was aiming for long-term margins of between 9 and 10 per cent across all businesses.

Saab Auto returns to the black

By Hugh Carnegy in Stockholm

Saab Automobile, the Swedish carmaker, yesterday reported its first quarterly profit for five years. It was also the first profit under the management of General Motors of the US, which became joint owner of the company with Sweden's Saab-Scania in late 1989.

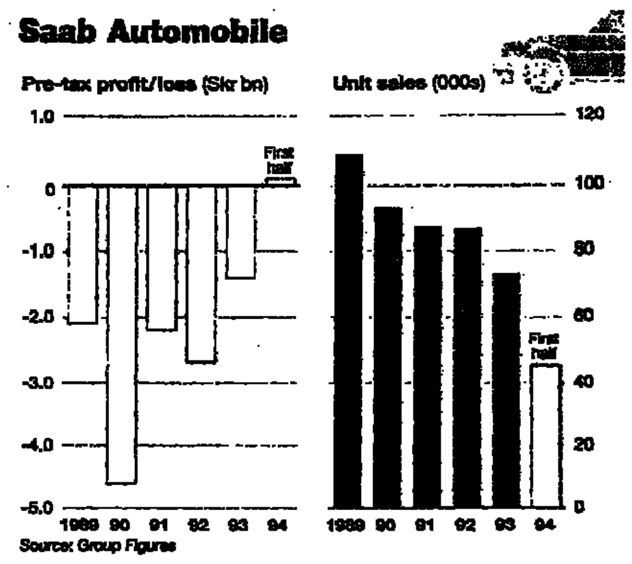
Saab said a sharp rise in sales, reduced costs, and the weakness of the Swedish krona were the factors behind a SKr726m ($93m) turnround to a SKr203m pre-tax profit in the second quarter from a SKr523m loss in the same period last year. The second-quarter surge also produced a first-half pre-tax profit of SKr104m, against a SKr684m loss in the first half of 1993.

The company said it was "on track" to make a modest full-year profit in 1994 after five successive years of losses. The total deficit since GM bought in and took over the management was more than SKr11bn. During that time, GM and Saab-Scania, which is part of the Wallenberg family empire, have pumped more than SKr8bn in new capital into the company to keep it afloat.

This year has at last brought an upturn, with unit sales rising 26 per cent to 45,200 in the first half from 35,800 in the same period of 1993. Combined with the fall in value of the krona, this pushed sales in the first half up to SKr8.75bn from SKr7.75bn.

With the workforce cut in half, to 7,900, over the past few years, Saab's break-even level is now around 83,000 unit sales a year: it expects to sell 94,000 cars this year, compared with 73,600 last year, a record low.

A large part of the turnround is attributable to the Saab 900 model launched last year, which drew heavily on GM components and was billed as the car that would make or break the company. It accounted for 27,500 of the first-half unit sales, while the bigger and older Saab 9000 accounted for 17,700.



Source: Group Figures

Saab said sales in the US, its biggest market, rose to 10,837 units in the first half from 9,400 last year. This upward trend should continue in the second half, as sales of the recently-launched 900 cabriolet model take off. Meanwhile, a rebound in the Swedish new car market sent Saab sales at home soaring to 9,266 units in the first half from 4,878 last year.

Dramatic turnround at Saab-Scania

Saab-Scania, the Swedish vehicle and aerospace group controlled by the Wallenberg family, yesterday announced a dramatic surge in earnings in the first half of the year. It posted a pre-tax profit, after financial items, of SKr1.2bn ($153.8m) after a pro-forma loss of SKr264m in the same period last year, writes Hugh Carnegy.

The group said it expected earnings in the second half to be even stronger than in the first, when a leap in sales and earnings in its Scania truck division was the driving force.

A return to profit at half-owned Saab Automobile will not be included until the full-year report.

The results will prove encouraging to Investor, the Wallenberg holding company which took over 100 per cent of Saab-Scania in 1991 as a cash generator, but then saw its earnings subside. Investor is due to report its half-year results next week.

Saab-Scania's results, which restated last year's figures to reflect accounting changes, showed that group sales rose to SKr14.46bn in the first half, from SKr11.91bn last time. Operating income before depreciation jumped to SKr2.14bn from SKr699m.

Sales in the Scania division, which includes the truck operations, rose to SKr12.37bn from SKr9.26bn, as demand for trucks in western Europe grew by 10 per cent. In Brazil, the growth figure was 25 per cent and in Argentina it was no less than 80 per cent.

Orders in the first half rose 50 per cent to 18,600 trucks and buses from 12,300. Operating profits for the division soared to SKr1.6bn from SKr178m.

The picture was, however, less encouraging in the Aircraft and Defence division. Sales at Saab Defence, which include the new JAS 39 Gripen all-purpose fighter aircraft, fell to SKr1.56bn from SKr1.73bn. Sales in Saab Aircraft, which include the Saab 340 and Saab 2000 regional airliners, tumbled to SKr486m from SKr1.05bn.

Overall, sales in the Aircraft and Defence division fell to SKr2.09bn from SKr2.64bn, and there was an operating loss of SKr200m compared with a loss of SKr156m in the same period last year.

Norsk Hydro, Texaco in marketing venture

By Christopher Brown-Humes in Stockholm

Norsk Hydro and Texaco yesterday announced plans to form a joint-venture marketing company to bolster their position in the Scandinavian petroleum products market.

By combining their service station networks, the companies say they will hold 20 per cent of the Norwegian gasoline market and 17 per cent of the Danish market. They will also have a significant presence in the diesel and heating fuel markets.

Each partner will hold 50 per cent of the new company, which is expected to become operational on January 1 1995.

The venture aims to draw on Hydro's strong Scandinavian presence and Texaco's international experience and marketing expertise.

It excludes the companies' other Scandinavian interests, including the North Sea and Scanraff refinery in Sweden. Texaco will continue to market its aviation and marine fuels and lubricants in Scandinavia separately.

Mr Torstein Bergem, Norsk Hydro executive vice-president, said: "The proposed joint venture will enable us to successfully meet the challenges of the increasingly competitive Danish and Norwegian markets."

Texaco said the project was in line with its worldwide plan to cut costs and strengthen core businesses.

COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS

LME gains erased as stocks rise

London Metal Exchange contracts generally lost most or all of their earlier modest gains yesterday following the announcement of increases in stocks held in exchange registered warehouses.

The exception was aluminium, which was able to hold steady on news of a 9,525 stocks fall, although that was somewhat less than had been expected.

For this metal, however, the gains of Wednesday and Thursday had only cancelled out the falls of the previous two days, which revealed strong support around the $1,470-a-tonne mark for three months delivery metal. At yesterday's close the three months price stood at $1,489.50 a tonne, down $1 on the week.

In contrast copper, the LME's flagship contract, had been testing the upper limits of its recent trading range.

Building on last week's modest rally the three months price attempted on Thursday and yesterday morning to break decisively through overhead resistance at $2,420 a tonne. But these forays faltered at $2,435 and $2,427 respectively, the second after the LME announced that there had been a 5,475-tonne rise in warehouse stocks, the seventh in a row. That took the stocks figure to 353,575 tonnes, up 14,975 so far this month.

By the close three months copper was down to $2,407.50 a tonne, $5 lower on the week, and that helped to knock the stuffing out other LME contracts.

Only lead ended the week with a net rise – of $5.75 to $581 a tonne for three months delivery – reflecting general recognition of its sound fundamentals and the approach of the northern hemisphere winter, boom time for the replacement car battery market. But reaction to copper's fall and to its own continuing stocks rise had resulted in a $11.50 fall yesterday, confounding traders hopes that the price might soon regain the $600-plus levels last seen on August 4.

At the London bullion market meanwhile the gold price extended last week's sell-off before staging a cautious rally. The low of $376.25 a troy ounce was reached on Tuesday, but by yesterday's close it was up to $382.10, a gain of $4.60 overall.

After support had held at the low speculative buyers, who thought the market had become oversold, were encouraged by a US interest rate rise, traders explained. And after a later break through resistance between $378 and $379 they began to think in terms of a renewed assault on the $383 level above which the last rally stalled, although that hurdle looked "formidable".

The London Commodity Exchange coffee market was firing on all cylinders at the start of the week as it caught up with the previous Friday night's news of an unexpectedly bullish US Department of Agriculture estimate of June/July frost damage to the 1995-96 Brazilian crop. It put the total loss at between 30 and 40 per cent, close to an earlier Brazilian government assessment and at the top end of the range suggested by market analysts.

In response the November delivery futures price at the LCE shot up $157 on Monday and added another $55 on Tuesday morning, reaching $3,485 a tonne. But by then the market had had enough. Starved of further bullish news, speculators started to take their profits and by last night's close close the price had been marked down to $3,315, having regained, on balance, just $45 of last week's $277 retrenchment.

Richard Mooney

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	-9,525	to 2,464,675
Aluminium alloy	-200	to 26,280
Copper	+5,475	to 353,575
Lead	+2,825	to 367,875
Nickel	+774	to 137,430
Zinc	+7,000	to 1,230,525
Tin	+415	to 31,455

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1994 High	1994 Low
Gold per troy oz.	$382.10	+4.60	$373.25	$396.50	$369.50
Silver per troy oz	335.50p	+4.00	316.75p	384.50p	331.50p
Aluminium 99.7% (cash)	$1461.0	-1.5	$1151.0	$1529.50	$1107.50
Copper Grade A (cash)	$2391.5	-17.0	$1937.5	$2521.00	$1731.50
Lead (cash)	$564.0	+7.0	$391.0	$592.0	$426.0
Nickel (cash)	$5690.0	-10.0	$4690	$6490	$5210.0
Zinc SHG (cash)	$940.0	-3.5	$889.0	$1014	$900.5
Tin (cash)	$5155.0	-20.0	$4862.5	$5650.0	$4730.0
Cocoa Futures Dec	£1074	-14	£779	£1124	£859
Coffee Futures Nov	$3316	+43	$1202	$3828	$1175
Sugar (LDP Raw)	$306.3	+4.0	$243.1	$309.4	$252.9
Barley Futures Nov	£104.95	-0.40	£102.80	£105.50	£92.65
Wheat Futures Nov	£105.45	-0.50	£108.50	£117.50	£97.80
Cotton Outlook A Index	75.20c	-2.05	54.90c	87.10c	62.45c
Wool (64s Super)	448p	+6	335p	442p	342p
Oil (Brent Blend)	$16.59x	-0.58	$16.985	$18.61	$13.16

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. x Oct

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1460.5-1.5	1489-90
Previous	1461.5-2.5	1490-1
High/low		1495/1486
AM Official	1460-1	1488-89
Kerb close		1486-7
Open int.	277,214	
Total daily turnover	23,451	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1535-45	1550-60
Previous	1550-60	1570-5
High/low		1570/1565
AM Official	1545-55	1560-70
Kerb close		1545-55
Open int.	2,795	
Total daily turnover	391	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	563-5	580-2
Previous	574.5-5.5	592-3
High/low		590/575
AM Official	564-5	582.5-3.5
Kerb close		577-7.5
Open int.	40,378	
Total daily turnover	5,230	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5685-95	5775-80
Previous	5575-85	5860-70
High/low	5705/5700	5880/5765
AM Official	5705-10	5785-90
Kerb close		5765-70
Open int.	56,521	
Total daily turnover	10,475	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5145-65	5220-40
Previous	5225-35	5300-10
High/low		5320/5190
AM Official	5175-80	5245-50
Kerb close		5215-20
Open int.	17,164	
Total daily turnover	3,646	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	939.5-40.5	963-4
Previous	945.5-6.5	969-70
High/low		970/963
AM Official	941.5-42.0	964.5-65.0
Kerb close		964-5
Open int.	100,637	
Total daily turnover	11,336	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2391-2	2407-8
Previous	2411-12	2425-6
High/low	2397.5/2397	2428/2401
AM Official	2397-7.5	2412-12.5
Kerb close		2402-3
Open int.	213,004	
Total daily turnover	51,766	

■ LME AM Official £/$ rate: 1.5480
LME Closing £/$ rate: 1.5520

Spot:1.5480 3 mths:1.5474 6 mths:1.5449 9 mths:1.5410

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Aug	108.60	-0.80	108.60	108.60	278	121
Sep	108.40	-0.90	109.20	108.00	18,237	4,563
Oct	108.40	-0.90	108.40	108.25	823	7
Nov	108.50	-0.90	108.50	108.30	542	60
Dec	108.50	-0.80	109.30	108.15	17,853	2,529
Jan	108.30	-0.80	-	-	45,254	7,496
Total						

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv
Close	381.90-382.30	
Opening	381.30-381.70	
Morning fix	381.05	246.523
Afternoon fix	381.80	246.573
Day's High	382.20-382.60	
Day's Low	381.20-381.60	
Previous close	380.30-380.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.25 6 months 4.53
2 months ....4.28 12 months 4.87
3 months 4.32

Silver Fix	p/troy oz.	US cts equiv.
Spot	333.90	517.25
3 months	338.15	523.25
6 months	343.10	530.05
1 year	355.70	546.35

Gold Coins	$ price	£ equiv.
Krugerrand	386-389	249-252
Maple Leaf	392.15-394.60	
New Sovereign	89-92	57-60

Wool

Wool prices have continued to advanced on a broad front, and as auctions have been resumed in the new selling season the pace has tended to accelerate. There are variations between sectors. Finer merinos are in short supply, and remaining stocks held in the official Australian stockpile are low. Demand meanwhile is building up with fashion one factor, and anticipation of shortages to come another. The world crossbred wool situation is also obviously firmer with supplies and stocks seen as liable to fall short of demand. Only with middle micron merinos is the Australian stockpile seen as a holding factor, and this is not enough to prevent price rises here also. Wool International's Eastern states market indicator closed 706 cents yesterday, compared with 693 a week ago. The spices report was not available for this edition.

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Aug 19	Aug 18	month ago	year ago
2071.9	2063.3	2156.4	1616.0

■ CRB Futures (Base: 1967=100)

Aug 18	Aug 17	month ago	year ago
230.00	229.53	232.27	214.01

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	97.6100	-0.570	9.37	9.58	9.54
Belgium		7.250	04/04	92.1000	-0.530	8.47	8.33	7.87
Canada *		6.500	06/04	84.2000	+0.150	8.96	9.04	9.16
Denmark		7.000	12/04	87.1000	+0.250	8.96	8.99	7.96
France	BTAN	8.000	05/98	102.1250	-	7.29	7.15	6.58
	OAT	5.500	04/04	84.4800	+0.050	7.84	7.74	7.31
Germany Bund		6.750	05/04	96.4300	-0.370	7.27	7.22	6.84
Italy		8.500	04/04	82.0000	+0.300	11.66†	11.50	10.54
Japan	No 119	4.800	06/99	103.6420	+0.330	3.91	4.15	3.67
		4.100	12/03	96.9560	+0.320	4.57	4.65	4.34
Netherlands		5.750	01/04	89.7200	-0.480	7.29	7.23	6.88
Spain		8.000	05/04	82.1500	+0.500	11.07	11.08	10.37
UK Gilts		6.000	08/99	90-10	-1/32	8.42	8.43	7.92
		6.750	11/04	87-04	+2/32	8.66	8.62	8.28
		9.000	10/08	102-20	+2/32	8.67	8.67	8.39
US Treasury *		7.250	08/04	99-26	-6/32	7.28	7.28	7.28
		7.500	11/24	99-30	-15/32	7.50	7.58	7.57
ECU (French Govt)		6.000	04/04	83.9800	-0.380	8.49	8.28	7.78

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

Prime rate	7¾	One month	4.59
Broker loan rate	5½	Two month	4.58
Fed.funds	4¾	Three month	4.69
Fed.funds at intervention	-	Six month	5.13
		One year	5.67

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
100	0-56	2-44	0-20	2-32
101	0-21	2-12	0-49	3-00
102	0-04	1-49	1-32	3-37

Est. vol. total, Calls 832 Puts 1867. Previous day's open int., Calls 72418 Puts 61318

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change
Sep	102-25	102-29	+0-06
Dec	102-00	102-04	+0-05
Mar	101-13	101-15	+0-07

ECONOMIC DIARY – FORWARD EVENTS

TOMORROW: Mexican presidential election. Nine heads of state and representative from the European Union hold informal meeting at annual forum in Alpbach, Austria.

MONDAY: UK output, income, and expenditure (second quarter). National Accounts advance annual estimates (1993). Balance of payments advance annual estimates (1993). Ruling coalition leaders hold meeting in Tokyo. UN mandate for France's Operation Turquoise expires. Further 24-hour RMT signal-workers strike action in dispute over pay begins at noon.

TUESDAY: Capital expenditure (second quarter-provisional). Stocks and work in progress (second quarter-provisional). Mr Waldemar Pawlak, prime minister of Poland, meets members of the Sejm, the lower house of parliament, to discuss the logistics of passing new laws needed to implement his government's strategy for Poland's mid-term economic plan. Mr Tomiichi Murayama, prime minister of Japan, visits Manila (until August 25). Interim results from Thorn EMI.

WEDNESDAY: Welsh agricultural statistics (1994). US durable goods (July). Interim results from Marley.

THURSDAY: Engineering sales and orders at current and constant prices (June). New vehicle registrations (July). Energy trends (June). Census of agriculture and horticulture (June 1994). US existing home sales (July). Interim statements from Guardian Royal Exchange and Rentokil Group. Preliminary results from News International and Scottish & Newcastle.

FRIDAY: CBI publishes monthly trends enquiry for August. Major British banking groups' mortgage lending (July). Government deficit and debt under the Maastricht Treaty (1993/94). US GDP (second quarter 1994-preliminary). Hong Kong half-yearly economic report and second update of GDP.

CURRENCIES AND MONEY

MARKETS REPORT

Dollar wobbles

The US dollar yesterday lost further ground on the foreign exchanges as negative sentiment towards the US currency persisted, *writes Philip Gawith.*

Despite repeated Bank of Japan intervention during Asian trading, the dollar ebbed lower to close in London at Y98.475 from Y99.025. Against the D-Mark, it finished at DM1.5396 from DM1.5456.

Elsewhere attention was focused on the Swedish krona, as the market awaited details of the opposition social democratic party's budget savings plan. The figure of a SKr61bn cut over four years was well received by the market, and the krona closed in London at SKr5.008 from SKr5.048.

After losing a pfennig during early trade, sterling firmed slightly to close at DM2.3836 from DM2.3889.

■ There was no fresh data for the dollar to respond to, but Mr Avinash Persaud, currency strategist at JP Morgan (Europe), said its renewed weakness "was a reminder that it is the level of rates that matters, rather than the process of raising them, so long as the level is seen as inappropriate."

He noted also that the incentives currently for Japanese investors to buy dollar assets was low. The rate differential between US and Japan is currently only 300 basis points, historically the minimum level required to get Japanese investors into the dollar. This is insufficient when set against the risks of further trade tensions, with the September 30 deadline in procurement talks looming.

Mr Jeremy Hawkins, chief economist at the Bank of America in London, said the dollar, like various European currencies, was reflecting political issues. Whereas President Clinton's authority is under assault, Chancellor Kohl in Germany has seen his ratings improve considerably since the turn of the year.

"Politics are now almost as big an issue as the numbers and interest rates," said Mr Hawkins.

■ Sterling failed to profit from a better than expected set of trade figures. The July deficit with non-EU states was £418m, compared to a market expectation of about £600m.

Mr Hawkins noted that current sterling weakness was overwhelmingly a residual effect of movements in dollar/D-Mark, rather than a case of independent currency weakness. Recent good inflation data, however, which have probably delayed the prospect of higher rates in the UK, could have contributed to market disappointment in the pound.

The average rate of discount at the weekly treasury bill tender fell to 5.254 per cent from 5.375 per cent. In the cash market sterling three month LIBOR slipped to 5 5/16 from 5¼.

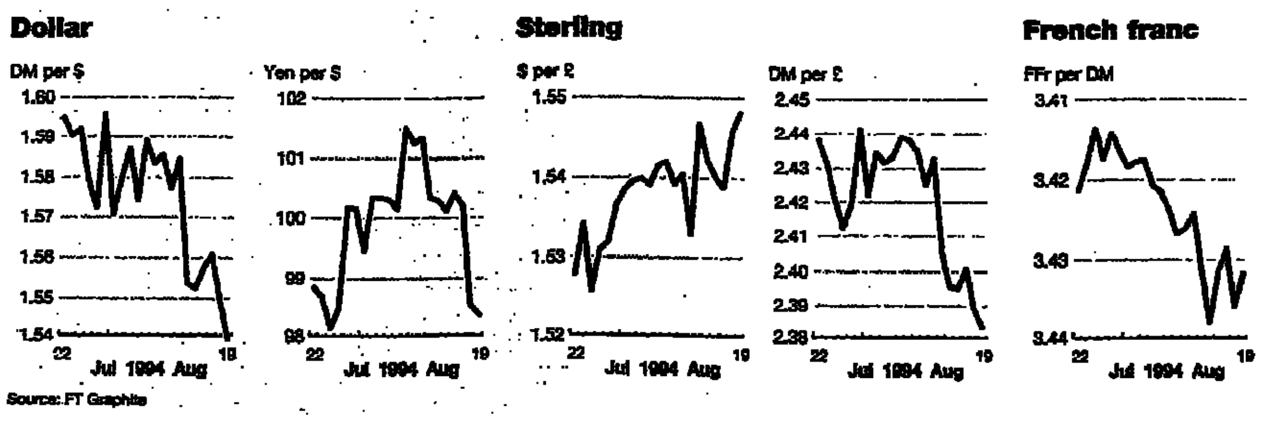
Mr Ross Jones, a director at Gerrard and National, said the current difference between cash and futures market rates was "staggering". The December short sterling contract finished at 93.38, seven basis points up on the day, but still discounting 135 basis point rise in rates by the end of the year.

Mr Jones commented: "I don't think there is a need for a rise in rates this year on any grounds."

In its daily operations, the Bank of England provided £425m assistance at established rates compared to a forecast shortage of £600m. Overnight money traded between 4 and 5 per cent.

■ Pound in New York

Aug 19	—Latest—	— Prev. close —
£ spot	1.5490	1.5492
1 mth	1.5488	1.5480
3 mth	1.5474	1.5475
1 yr	1.5385	1.5358



Source: FT Graphite

■ OTHER CURRENCIES

Aug 19	£	$
Hungary	165.048 - 165.179	106.620 - 106.670
Iran	2688.00 - 2691.00	1748.00 - 1750.00
Kuwait	0.4605 - 0.4615	0.2975 - 0.2980
Poland	35000.3 - 35042.8	22610.0 - 22630.0
Russia	3331.94 - 3342.78	2152.00 - 2159.00
U.A.E.	5.6811 - 5.6926	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Aug 19		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.7745	-0.0461	679 - 811	16.8438	16.7422	16.7702	0.3	16.7583	0.4	-	-	115.8
Belgium	(BFr)	49.1415	-0.157	258 - 571	49.3780	49.0800	49.1165	0.6	49.1465	0.0	48.8965	0.5	117.2
Denmark	(DKr)	9.4409	-0.0489	351 - 466	9.5005	9.4248	9.4571	-2.1	9.4833	-1.8	9.5403	-1.1	117.0
Finland	(FM)	7.8318	-0.0666	224 - 413	7.9300	7.8100	-	-	-	-	-	-	83.9
France	(FFr)	8.1796	-0.0282	765 - 826	8.2132	8.1650	8.1834	-0.6	8.183	-0.2	8.147	0.4	110.6
Germany	(DM)	2.3836	-0.0053	825 - 847	2.3946	2.3779	2.3831	0.3	2.3805	0.5	2.3536	1.3	127.0
Greece	(Dr)	361.284	-0.862	148 - 420	362.817	360.962	-	-	-	-	-	-	-
Ireland	(I£)	1.0146	+0.0007	139 - 152	1.0166	1.0100	1.0147	-0.1	1.0148	-0.1	1.0152	-0.1	103.8
Italy	(L)	2431.76	-15.89	059 - 293	2443.29	2426.50	2439.76	-3.9	2456.21	-4.0	2526.36	-3.8	75.0
Luxembourg	(LFr)	49.1415	-0.157	258 - 571	49.3780	49.0800	49.1165	0.6	49.1465	0.0	48.8965	0.5	117.2
Netherlands	(Fl)	2.6766	-0.0056	757 - 774	2.6862	2.6700	2.6758	0.4	2.6731	0.5	2.6437	1.2	121.3
Norway	(NKr)	10.4922	-0.0299	889 - 954	10.5811	10.4700	10.4892	0.3	10.4997	-0.3	10.4857	0.1	88.8
Portugal	(Es)	244.701	-0.903	429 - 973	246.096	243.668	246.431	-8.5	249.611	-8.0	-	-	-
Spain	(Pta)	199.771	-1.086	661 - 880	200.686	199.165	200.256	-2.9	201.096	-2.7	203.801	-2.0	85.5
Sweden	(SKr)	11.9430	-0.1156	352 - 507	12.0044	11.8832	11.9645	-2.2	12.015	-2.4	12.2365	-2.4	72.9
Switzerland	(SFr)	2.0014	-0.0085	006 - 021	2.0098	1.9975	1.9996	1.1	1.9954	1.2	1.9636	1.9	122.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	78.5
Ecu	-	1.2550	-0.0033	545 - 554	1.2589	1.2520	1.2559	-0.8	1.2567	-0.5	1.2555	0.0	-
SDR†	-	0.946237	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5476	+0.002	472 - 479	1.5512	1.5446	-	-	-	-	-	-	-
Brazil	(R$)	1.3826	-0.0039	808 - 844	1.3875	1.3788	-	-	-	-	-	-	-
Canada	(C$)	2.1299	-0.0022	291 - 306	2.1353	2.1246	2.1298	0.0	2.1294	0.1	2.1372	-0.3	86.0
Mexico	(New Peso)	5.2354	+0.0018	322 - 386	5.2388	5.2179	-	-	-	-	-	-	-
USA	($)	1.5483	+0.0026	480 - 485	1.5520	1.5452	1.5481	0.2	1.5465	0.5	1.5348	0.9	62.5
Pacific/Middle East/Africa													
Australia	(A$)	2.0961	+0.0092	950 - 971	2.1010	2.0857	2.096	0.0	2.0974	-0.2	2.1156	-0.9	-
Hong Kong	(HK$)	11.9633	+0.0191	606 - 660	11.9917	11.9405	11.9594	0.4	11.9583	0.2	11.9653	0.0	-
India	(Rs)	48.5686	+0.0815	530 - 842	48.6820	48.4730	-	-	-	-	-	-	-
Japan	(Y)	152.464	-0.594	401 - 527	153.100	151.860	152.064	3.1	151.199	3.3	146.694	3.8	190.3
Malaysia	(M$)	3.9457	-0.0029	435 - 479	3.9610	3.9405	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5835	+0.011	809 - 860	2.5867	2.5741	2.5874	-1.8	2.5952	-1.8	2.6175	-1.3	-
Philippines	(Peso)	40.6417	+0.0683	480 - 353	41.0355	40.1650	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8066	+0.0098	053 - 078	5.8203	5.7954	-	-	-	-	-	-	-
Singapore	(S$)	2.3263	+0.0016	251 - 274	2.3304	2.3219	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5354	+0.0047	333 - 374	5.5476	5.5210	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.9207	+0.0348	041 - 373	6.9392	6.9020	-	-	-	-	-	-	-
South Korea	(Won)	1244.33	+2.01	397 - 468	1247.69	1242.03	-	-	-	-	-	-	-
Taiwan	(T$)	40.9811	+0.0174	214 - 408	41.0271	40.8535	-	-	-	-	-	-	-
Thailand	(Bt)	38.6676	+0.0418	458 - 893	38.7530	38.6120	-	-	-	-	-	-	-

†SDR rate for Aug 17. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 19		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.8346	-0.048	320 - 370	10.8600	10.8110	10.8347	0.0	10.8345	0.0	10.7495	0.8	104.8
Belgium	(BFr)	31.7400	-0.155	350 - 450	31.8900	31.7000	31.765	-0.9	31.78	-0.5	31.865	-0.4	106.1
Denmark	(DKr)	6.0978	-0.0419	950 - 005	6.1361	6.0940	6.1103	-2.5	6.1341	-2.4	6.2178	-2.0	105.1
Finland	(FM)	5.0586	-0.0846	532 - 638	5.1227	5.0450	5.0635	-1.2	5.0772	-1.5	5.1585	-2.0	77.4
France	(FFr)	5.2831	-0.0272	820 - 842	5.3050	5.2720	5.2864	-0.7	5.2924	-0.7	5.2548	0.5	107.0
Germany	(D)	1.5396	-0.006	391 - 400	1.5455	1.5353	1.5398	-0.1	1.5396	0.0	1.5337	0.4	107.7
Greece	(Dr)	233.350	-0.95	300 - 400	233.900	233.200	233.64	-1.5	234.425	-1.8	237.45	-1.8	69.7
Ireland	(I£)	1.5261	+0.0015	253 - 268	1.5346	1.5220	1.5244	1.3	1.5206	1.4	1.5031	1.5	-
Italy	(L)	1570.65	-12.93	015 - 115	1577.75	1566.50	1576.4	-4.4	1588.8	-4.6	1646.15	-4.8	75.0
Luxembourg	(LFr)	31.7400	-0.155	350 - 450	31.8900	31.7000	31.765	-0.9	31.78	-0.5	31.865	-0.4	106.1
Netherlands	(Fl)	1.7288	-0.0067	285 - 290	1.7349	1.7235	1.7287	0.0	1.7288	0.0	1.7227	0.3	106.0
Norway	(NKr)	6.7768	-0.0307	758 - 778	6.8349	6.7600	6.7803	-0.6	6.7968	-1.2	6.7093	1.0	96.8
Portugal	(Es)	158.050	-0.85	900 - 200	158.400	157.750	159.125	-8.2	161.45	-8.6	167.55	-6.0	95.1
Spain	(Pta)	129.030	-0.92	980 - 080	129.300	128.600	129.39	-3.3	130.075	-3.2	132.89	-2.9	80.4
Sweden	(SKr)	7.7139	-0.0878	101 - 176	7.7543	7.6720	7.7419	-4.4	7.8014	-4.5	8.0554	-4.4	77.8
Switzerland	(SFr)	1.2927	-0.0084	924 - 929	1.2972	1.2901	1.2919	0.7	1.2908	0.6	1.2798	1.0	107.5
UK	(£)	1.5483	+0.0026	480 - 485	1.5520	1.5452	1.5481	0.2	1.5465	0.5	1.5348	0.9	86.8
Ecu	-	1.2338	+0.0054	335 - 340	1.2369	1.2308	1.2326	1.2	1.2305	1.1	1.244	-0.8	-
SDR†	-	1.45850	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9996	-0.0004	995 - 996	0.9997	0.9995	-	-	-	-	-	-	-
Brazil	(R)	0.8930	-0.004	920 - 940	0.8950	0.8920	-	-	-	-	-	-	-
Canada	(C$)	1.3757	-0.0087	754 - 759	1.3810	1.3735	1.3767	-0.9	1.379	-1.0	1.3962	-1.5	82.5
Mexico	(New Peso)	3.3815	-0.0045	800 - 830	3.3830	3.3720	3.3825	-0.4	3.3843	-0.3	3.3917	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.6
Pacific/Middle East/Africa													
Australia	(A$)	1.3539	+0.0037	534 - 543	1.3565	1.3468	1.3542	-0.2	1.3549	-0.3	1.3622	-0.6	87.1
Hong Kong	(HK$)	7.7270	-0.0006	265 - 275	7.7275	7.7260	7.7268	0.0	7.7275	0.0	7.7425	-0.2	-
India	(Rs)	31.3700	-	650 - 750	31.3750	31.3650	31.455	-3.3	31.6	-2.9	-	-	-
Japan	(Y)	98.4750	-0.55	500 - 000	98.8500	98.1500	98.245	2.8	97.795	2.8	95.56	2.9	150.5
Malaysia	(M$)	2.5485	-0.0061	475 - 495	2.5568	2.5455	2.5393	4.3	2.526	3.2	2.6015	-2.1	-
New Zealand	(NZ$)	1.6686	+0.0043	672 - 700	1.6700	1.6620	1.6695	-0.7	1.6714	-0.7	1.6767	-0.5	-
Philippines	(Peso)	26.2500	-	000 - 000	26.5000	26.0000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	502 - 506	3.7606	3.7502	3.7517	-0.4	3.7558	-0.6	3.7744	-0.6	-
Singapore	(S$)	1.5025	-0.0015	020 - 030	1.5055	1.5000	1.5012	1.1	1.4993	0.9	1.4925	0.7	-
S Africa (Com.)	(R)	3.5753	-0.003	745 - 760	3.5765	3.5704	3.5908	-5.2	3.6191	-4.9	3.6958	-3.4	-
S Africa (Fin.)	(R)	4.4700	+0.015	600 - 800	4.4825	4.4600	4.5037	-9.1	4.5625	-8.3	-	-	-
South Korea	(Won)	803.700	-0.05	600 - 800	804.800	803.500	806.7	-4.5	810.2	-3.2	828.7	-3.1	-
Taiwan	(T$)	26.4370	-0.0333	350 - 390	26.4580	26.4320	26.457	-0.9	26.497	-0.9	-	-	-
Thailand	(Bt)	24.9750	-0.015	650 - 850	25.0000	24.9650	25.0475	-3.5	25.175	-3.2	25.655	-2.7	-

†SDR rate for Aug 17. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 17. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 19		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.21	16.65	4.851	2.066	4949	5.448	21.35	498.0	406.6	24.30	4.072	2.035	4.335	3.150	310.3	2.554
Denmark	(DKr)	52.05	10	8.664	2.525	1.075	2576	2.836	11.11	259.2	211.6	12.65	2.119	1.059	2.256	1.640	161.5	1.329
France	(FFr)	60.07	11.54	10	2.914	1.241	2973	3.273	12.82	299.1	244.3	14.60	2.448	1.222	2.604	1.892	186.4	1.534
Germany	(DM)	20.61	3.960	3.431	1	0.426	1020	1.123	4.400	102.6	83.81	5.008	0.839	0.419	0.893	0.649	63.97	0.526
Ireland	(I£)	48.41	9.301	8.059	2.349	1	2396	2.637	10.33	241.1	196.8	11.76	1.971	0.985	2.099	1.525	150.2	1.236
Italy	(L)	2.021	0.388	0.336	0.098	0.042	100.	0.110	0.431	10.06	8.215	0.491	0.082	0.041	0.088	0.064	6.271	0.052
Netherlands	(Fl)	18.36	3.527	3.056	0.891	0.379	908.5	1	3.919	91.41	74.64	4.460	0.747	0.374	0.796	0.578	56.97	0.469
Norway	(NKr)	46.84	9.000	7.798	2.273	0.968	2318	2.552	10	233.3	190.5	11.38	1.906	0.953	2.031	1.476	145.4	1.196
Portugal	(Es)	20.08	3.858	3.343	0.974	0.415	993.9	1.094	4.287	100.	81.65	4.879	0.818	0.409	0.870	0.633	62.32	0.513
Spain	(Pta)	24.59	4.725	4.094	1.193	0.508	1217	1.340	5.250	122.5	100.	5.976	1.002	0.501	1.066	0.775	76.33	0.628
Sweden	(SKr)	41.16	7.907	6.851	1.997	0.850	2037	2.242	8.786	204.9	167.3	10	1.676	0.838	1.784	1.296	127.7	1.051
Switzerland	(SFr)	24.56	4.718	4.088	1.191	0.507	1216	1.338	5.242	122.3	99.85	5.967	1	0.500	1.064	0.774	76.21	0.627
UK	(£)	49.14	9.441	8.180	2.384	1.015	2432	2.677	10.49	244.7	199.8	11.94	2.001	1	2.130	1.548	152.5	1.255
Canada	(C$)	23.07	4.432	3.840	1.119	0.477	1142	1.257	4.925	114.9	93.80	5.606	0.939	0.469	1	0.727	71.60	0.589
US	($)	31.74	6.099	5.284	1.540	0.656	1571	1.729	6.776	158.1	129.1	7.713	1.293	0.646	1.376	1	98.51	0.811
Japan	(Y)	322.2	61.91	53.64	15.63	6.656	15948	17.56	68.79	1605	1310	78.30	13.12	6.557	13.97	10.15	1000.	8.230
Ecu		39.16	7.523	6.518	1.900	0.809	1938	2.133	8.359	195.0	159.2	9.514	1.594	0.797	1.697	1.233	121.5	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

Aug 19	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14167	+0.00135	-2.51	6.16	-
Germany	1.94964	1.90782	+0.00182	-2.15	5.77	-
Belgium	40.2123	39.3554	+0.0113	-2.13	5.76	16
France	6.53883	6.54942	-0.00042	0.16	3.33	-1
Ireland	0.808628	0.811822	+0.000947	0.39	3.09	-3
Portugal	192.854	195.714	-0.263	1.48	1.99	-10
Denmark	7.43679	7.56374	-0.01957	1.71	1.76	-12
Spain	154.250	159.652	-0.524	3.50	0.00	-24
NON ERM MEMBERS						
Greece	264.513	289.488	+0.597	9.44	-5.43	-
Italy	1793.19	1945.70	-10.16	8.50	-4.61	-
UK	0.786749	0.800443	+0.001545	1.74	1.73	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6483	0.6479	-0.0007	0.6509	0.6470	38,479	105,206
Dec	0.6498	0.6480	-0.0007	0.6501	0.6480	1,213	6,838
Mar	0.6502	0.6500	-	0.6510	0.6500	8	1,622

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.0166	1.0153	-0.0020	1.0210	1.0138	37,463	64,064
Dec	1.0250	1.0225	-0.0020	1.0260	1.0212	944	7,151
Mar	1.0333	1.0302	-	1.0333	1.0302	59	1,651

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
1.450	9.58	9.50	9.51	-	-	0.09
1.475	7.09	7.18	7.29	-	0.11	0.32
1.500	4.70	4.99	5.25	0.07	0.40	0.78
1.525	2.61	3.11	3.52	0.40	1.00	1.49
1.550	1.08	1.73	2.20	1.35	2.06	2.55
1.575	0.33	0.84	1.26	3.04	3.59	4.08

Previous day's vol., Calls 13,880 Puts 8,304 . Prev. day's open int., Calls 556,436 Puts 433,858

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7723	0.7714	-0.0014	0.7762	0.7710	16,034	43,054
Dec	0.7753	0.7726	-0.0015	0.7757	0.7725	983	2,255
Mar	0.7770	0.7770	-	0.7770	0.7770	1	58

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5504	1.5454	-0.0054	1.5504	1.5452	11,142	33,508
Dec	1.5440	1.5440	-0.0044	1.5482	1.5430	188	1,965
Mar	1.5420	1.5420	-0.0034	1.5420	1.5420	1	154

WORLD INTEREST RATES

MONEY RATES

August 19	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅝	5⅛	5⅜	5⅝	6½	7.40	4.50	-
week ago	4¾	5½	6	6¼	6½	7.40	4.50	-
France	5⅝	5⅝	5¾	5⅞	6	5.00	-	6.75
week ago	5⅝	5⅝	5⅞	6	6¼	5.00	-	6.75
Germany	4.85	4.96	4.95	5.00	5.28	6.00	4.50	4.85
week ago	4.93	4.95	4.95	4.98	5.18	6.00	4.50	4.85
Ireland	4⅞	5½	6⅛	6⅝	7¼	-	-	6.25
week ago	5	5½	5⅞	6⅜	6¾	-	-	6.25
Italy	8½	8¾	9¼	10⅛	11⅛	-	7.50	8.45
week ago	8½	8¾	9⅞	10⅜	10¾	-	7.50	8.20
Netherlands	4.85	4.91	4.95	5.08	5.37	-	5.25	-
week ago	4.85	4.91	5.06	5.19	5.44	-	5.25	-
Switzerland	3¾	4⅛	4⅜	4½	4⅝	6.625	3.50	-
week ago	4	4⅛	4⅞	4⅛	4¾	6.625	3.50	-
US	4¾	4¾	4⅞	5¼	5¾	-	4.00	-
week ago	4¾	4¾	4⅞	5⅜	5⅞	-	3.50	-
Japan	2¼	2½	2¼	2¾	2⅞	-	1.75	-
week ago	2¼	2½	2⅜	2¾	2⅞	-	1.75	-
■ $ LIBOR FT London Interbank Fixing	-	4⅞	5	5⅜	5⅞	-	-	-
week ago	-	4⅞	4⅞	5¾	5⅞	-	-	-
US Dollar CDs	-	4.66	4.85	5.13	5.62	-	-	-
week ago	-	4.66	4.76	5.09	5.65	-	-	-
SDR Linked Ds	-	4⅛	4½	4¾	4¾	-	-	-
week ago	-	3½	3⅝	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅞; 3 mths: 5¾; 6 mths: 6⅛; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 19	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 13/16 - 4 11/16	5 1/16 - 4 15/16	5 3/16 - 5 1/16	5⅝ - 5½	5 15/16 - 5 13/16	6¼ - 6⅛
Danish Krone	5 - 4½	6 - 5½	6½ - 6	7⅛ - 6⅝	7½ - 7	7¾ - 7¼
D-Mark	4 15/16 - 4 13/16	4⅞ - 4¾	4 15/16 - 4 13/16	5 - 4⅞	5 1/16 - 4 15/16	5⅜ - 5¼
Dutch Guilder	4 15/16 - 4 13/16	4 15/16 - 4 13/16	4⅞ - 4¾	4 15/16 - 4 13/16	5⅛ - 5	5⅝ - 5½
French Franc	5⅝ - 5½	5 11/16 - 5 9/16	5⅝ - 5½	5 13/16 - 5 11/16	6 - 5⅞	6⅜ - 6¼
Portuguese Esc.	12⅛ - 11⅞	11½ - 11	12¼ - 11½	12¼ - 11½	12¼ - 11¾	12½ - 11½
Spanish Peseta	7½ - 7⅛	7⅜ - 7⅛	7⅞ - 7⅜	8⅛ - 8	8⅜ - 8⅛	8⅞ - 8⅝
Sterling	4¾ - 4½	4 13/16 - 4 11/16	5 - 4 13/16	5 7/16 - 5 5/16	6 - 5⅞	6⅝ - 6½
Swiss Franc	4 - 3¾	4 - 3¾	4⅛ - 4	4⅜ - 4¼	4½ - 4⅜	4 13/16 - 4 11/16
Can. Dollar	5⅛ - 4⅞	5⅛ - 5	5¼ - 5⅛	5⅝ - 5½	6⅛ - 6	7⅛ - 7
US Dollar	4 11/16 - 4 9/16	4¾ - 4⅝	4 13/16 - 4 11/16	5 - 4⅞	5 7/16 - 5 5/16	5 15/16 - 5 13/16
Italian Lira	9 - 7½	9⅜ - 9¼	8⅝ - 8½	9⅜ - 9¼	10⅛ - 9⅞	11⅛ - 10⅞
Yen	2⅛ - 2	2 5/16 - 2 3/16	2⅜ - 2⅛	2⅜ - 2¼	2⅝ - 2½	2 15/16 - 2 13/16
Asian $Sing	3⅞ - 3¾	3⅞ - 3¾	4 1/16 - 4	4⅜ - 4¼	4 13/16 - 4 11/16	5 7/16 - 5 5/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.18	94.19	+0.02	94.21	94.16	11,161	46,260
Dec	93.72	93.73	-0.01	93.79	93.69	13,270	44,570
Mar	93.44	93.43	-0.02	93.48	93.40	4,819	28,459
Jun	93.12	93.13	-0.02	93.19	93.11	2,160	27,036

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.87	94.87	-	94.87	94.87	172	2979
Dec	-	94.20	-	-	-	0	1912
Mar	93.94	93.93	-0.02	93.94	93.94	100	1461
Jun	-	93.62	-	-	-	0	354

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.02	95.05	+0.01	95.06	95.02	10663	150976
Dec	94.81	94.84	+0.01	94.87	94.81	16682	170312
Mar	94.52	94.52	-	94.56	94.49	12967	162622
Jun	94.15	94.14	-0.01	94.19	94.12	7102	103226

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	89.86	90.07	+0.28	90.08	89.86	4478	24934
Dec	88.92	89.10	+0.18	89.13	88.92	5489	41744
Mar	88.58	88.70	+0.20	88.73	88.58	1839	14910
Jun	88.18	88.37	+0.23	88.37	88.18	470	12203

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.60	95.59	-0.02	95.65	95.58	1670	23071
Dec	95.34	95.32	-0.02	95.37	95.30	1927	15069
Mar	95.10	95.04	-0.04	95.11	95.03	538	11819
Jun	94.80	94.73	-0.03	94.82	94.73	186	5480

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.84	93.85	+0.02	93.88	93.84	249	10347
Dec	93.45	93.42	-0.01	93.47	93.42	247	7326
Mar	93.12	93.13	+0.01	93.14	93.11	165	4540
Jun	92.81	92.79	-	92.82	92.81	58	1395

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.87	94.88	+0.01	94.88	94.86	78,373	422,033
Dec	94.18	94.21	+0.02	94.22	94.18	136,578	450,831
Mar	93.92	93.96	+0.03	93.96	93.91	72,729	345,795

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	95.24	95.25	+0.01	95.25	95.24	1,899	16,112
Dec	94.71	94.73	+0.02	94.73	94.71	703	9,359
Mar	-	94.42	-	94.42	-	137	3,879

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
9500	0.08	0.08	0.08	0.11	0.04	0.22	0.24	0.27
9525	0.01	0.02	0.03	0.04	0.21	0.43	0.44	0.45
9550	0	0	0.02	0.02	0.45	0.66	0.68	0.68

Est. vol. total, Calls 634 Puts 1856. Previous day's open int., Calls 249250 Puts 170598

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9550	0.11	0.09	0.13	0.02	0.27	0.59
9575	0.02	0.04	0.07	0.19	0.47	0.78
9600	0	0.02	0.03	0.41	0.70	0.99

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1605 Puts 1515

UK INTEREST RATES

LONDON MONEY RATES

Aug 19	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 - 4	4¾ - 4½	5 1/16 - 4⅞	5½ - 5⅜	6 - 5⅞	6⅞ - 6¾
Sterling CDs	-	-	5 - 4 15/16	5 7/16 - 5⅜	5 15/16 - 5 13/16	6⅝ - 6⅝
Treasury Bills	-	-	4 15/16 - 4⅞	5 7/16 - 5⅜	-	-
Bank Bills	-	-	4 15/16 - 4⅞	5 7/16 - 5⅜	5⅞ - 5¾	-
Local authority deps.	4 13/16 - 4 11/16	4 15/16 - 4 13/16	5 1/16 - 4 15/16	5 9/16 - 5 7/16	6 - 5⅞	6 13/16 - 6 11/16
Discount Market deps	5⅛ - 4⅛	4¾ - 4⅝	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¼	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.3747pc. ECGD fixed rate Stlg. Export Finance. Make up day July 29, 1994. Agreed rate for period Aug 24, 1994 to Sep 25, 1994, Schemes II & III 6.60pc. Reference rate for period July 1, 1994 to July 29, 1994, Schemes IV & V 5.2460pc. Finance House Base Rate 5½pc from Aug 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.17	94.26	+0.08	94.29	94.17	11709	93293
Dec	93.30	93.38	+0.07	93.42	93.27	25944	167069
Mar	92.62	92.71	+0.07	92.72	92.60	8035	66573
Jun	92.07	92.15	+0.05	92.15	92.06	2649	52455

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9425	0.16	0.04	0.05	0.15	0.91	1.59
9450	0.05	0.02	0.03	0.29	1.14	1.82
9475	0.01	0.01	0.01	0.50	1.38	2.05

Est. vol. total, Calls 15926 Puts 10988. Previous day's open int., Calls 348110 Puts 288616

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	*Mount Banking	8		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of London Investment Banking Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

CAF Money Management Co Ltd [illegible]
The COIF Charities Deposit Account [illegible]
Cent. Bd. of Fin. of Church of England [illegible]

Money Market Bank Accounts

Allied Trust Bank Ltd [illegible]
American Express Bank Ltd [illegible]
Arbuthnot Latham & Co Ltd [illegible]
Bank of Ireland High Interest Cheque Acc [illegible]
Bank of Scotland [illegible]
Barclays Select [illegible]
Barclays Prime Account H.I.C.A. [illegible]
Brown Shipley & Co Ltd [illegible]
Caledonian Bank Plc [illegible]
Cater Allen Ltd [illegible]
Chartered Bank Ltd [illegible]
Clydesdale Bank Flexible Solution Acc [illegible]
The Co-operative Bank [illegible]
Coutts & Co [illegible]
Dunbar Bank (London) PLC Premier Acc [illegible]
Fidelity Money Market Account [illegible]
Halifax Bldg Soc Asset Reserve Cheque Acc [illegible]
Julian Hodge Bank Ltd [illegible]
Kleinwort Benson Private Bank [illegible]
Lloyds Bank – Investment Account [illegible]
Midland Bank plc [illegible]
Nationwide Bldg Soc [illegible]
Portman Bldg Soc [illegible]
Rea Brothers Limited [illegible]
Royal Bank of Scotland plc Premium Acc [illegible]
Save & Prosper/Robert Fleming [illegible]
Tyndall Bank plc [illegible]
United Dominions Trust Ltd [illegible]
United Bank of Kuwait [illegible]
Western Trust High Interest Cheque Acc [illegible]

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ϕ Bargains done the previous day.

British Funds, etc

Treasury 13¼% Stk 2000/03 - £122⅞ 123⅛
Exchequer 10½% Stk 2005 - £111⅞ (12Au94)

Corporation and County Stocks

London County 2½% Cons Stk 1920(or after) - £27 (16Au94)

Land Securities PLC 6¾% Cnv Bds 2002(Br£1000) - £99 (15Au94)
Land Securities PLC 9⅜% Cnv Bds 2004 (Br£5000&50000) - £112 (16Au94)
Lasmo PLC 9½% Nts 1999 (Br £ Var) - £98 ½
Leeds Permanent Building Society 10½% Subord Bds 1998 (Br£5000) - £104¼ (17Au94)
Leeds Permanent Building Society Collared FltgRteNts 2003(Reg Mult£1000) - £98 (17Au94)

Halifax Building Society 11% Subord Bds 2014(Br£10000&100000) - £109¼
Halifax Building Society Collared Fltg Rte Nts 2003 (Br £ Var) - £95 (16Au94)
Hanson PLC 9½% Cnv Subord 2006 (Br £Var) - £110¼
Hanson PLC 10⅜% Bds 1997 (Br £Var) - £103¾
Harrisons & Crosfield PLC 7½% Suub Cnv Bds 2003(Br£1000&10000) - £111 (17Au94)
Hickson Capital Ld 7% Cnv Cap Bds 2004 (Reg) - 129½
Hickson Capital Ld 7% Cnv Cap Bds 2004 (Br£1000&10000) - £129½ (12Au94)
Hydro-Quebec 11.25% Debs Sers HV 17/4/2001 (Br £Var) - £108 (16Au94)
Imperial Chemical Industries PLC 9¾% Bds 2005(Br£1000&10000) - £101⅝ (16Au94)
Imperial Chemical Industries PLC 10% Bds 2003(Br£1000&10000) - £102¾
Imperial Chemical Industries PLC 11¼% Bds 1995(Br£5000) - £100½
International Bank for Rec & Dev 9¼% Bds 2007 (Br£5000) - £102¾ (17Au94)
International Bank for Rec & Dev 10% Bds 1999(Br£1000&10000) - £104⅛ (16Au94)
International Bank for Rec & Dev 10⅜% Nts 1999 (Br£5000) - £105
International Bank for Rec & Dev 11% Nts 1994(Br£5000) - £101⅜ .41 (15Au94)
International Bank for Rec & Dev 11¼% Nts 1995(Br£1000) - £103 (17Au94)
Japan Development Bank 7% Gtd Bds 2000 (Br £ Var) - £91⅞ (15Au94)
Kansai Electric Power Co Inc 7⅛% Nts 1998 (Br £ Var) - £95⅜ 6 (17Au94)
Kyushu Electric Power Co Inc 8% Nts 1997 (Br £ Var) - £98¾ (16Au94)

UK Public Boards

Commonwealth-Government

Foreign Stocks, Bonds, etc-(coupons payable in London)

Corporation Stocks - Foreign

Sterling Issues by Overseas Borrowers

Listed Companies(excluding Investment Trusts)

ABF Investments PLC 5½% Uns Ln Stk 87/2002 50p - 37 (17Au94)
ABF Investments PLC 7½% Uns Ln Stk 87/2002 50p - 44 (17Au94)
ASH Capital Finance(Jersey)Ld 9½% Cnv Cap Bds 2006 (Reg Units 100p) - £90 (12Au94)
Aberdeen Trust PLC Wts to sub for Ord - 52 (15Au94)
Aetna Malaysian Growth Fund(Cayman)Ld Ord $0.01 - $11.95 (16Au94)
Alexanders Hldgs PLC "A"(Rst.V)Ord 10p - 20 (17Au94)
Alexon Group PLC 6.25p (Net) Cnv Cum Red Prf 10p - 45 (17Au94)
Allied London Properties PLC 10¾% 1st Mtg Deb Stk 2025 - £110⅝ (17Au94)
Allied-Lyons PLC ADR (1:1) - $8.97 (12Au94)
Allied-Lyons PLC 5½% Cum Prf £1 - 57
Allied-Lyons PLC 7½% Cum Prf £1 - 77
Allied-Lyons PLC 11¼% Deb Stk 2009 - £119¾ (17Au94)
Allied-Lyons PLC 7¾% Uns Ln Stk 93/98 - £94
Allied-Lyons Financial Services PLC6¾% GtdCnvSubordBds2008 RegMult£1000 - £111
Allied-Lyons Financial Services PLC6¾% Gtd Cnv Subord Bds 2008(Br £ Var) - £109¼
Alvis PLC 5.5% Cnv Cum Non-Vtg Red Prf £1 - 72½ 3 ½
American Brands Inc Shs of Com Stk $3.125 - $34½
Andrews Sykes Group PLC Cnv Prf 50p - 38

TSB Offshore Inv Fund Ld Ptg Red Prf 1p(European Class) - 231.33 (16Au94)
TSB Offshore Inv Fund Ld Ptg Red Prf 1p(Pan American Class) - 444.15 (16Au94)
Tate & Lyle PLC 6½%/4.55% plus tax credit)Cum Prf £1 - 66 (15Au94)

Drayton English & Int Trust PLC 8.875% Cum Prf £1 - 110‡
English & Scottish Investors PLC "B" 25p - 118ϕ
Fidelity European Values PLC Equity Linked Uns Ln Stk 2001 - 140 5 (12Au94)

Investment Trusts

USM Appendix

Rule 4.2(a)

Foxcast Broadcast Corporation PLC Ord 5p - £0.6 0.63 0.65 0.66 0.67
Formecan International Group PLC Ord 1p - £0.45 0.49 (15Au94)
Francistown Min&Ex(Jersey)Ld Ord $0.01 - £1.53ϕ

RULE 2.1 (a)(v)
Bargains marked in securities (not falling within Rule 2.1 (a)(i)) where the principal market is outside the UK and Republic of Ireland.

Wallace Computer Svs $31⅞(17.8)
Walmalla Mining A$0.131⅞(12.8)
Xtra Corp $50½(16.8)

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LONDON STOCK EXCHANGE

MARKET REPORT

Equity market closes the week in good form

By Steve Thompson

UK equities shrugged off the debilitating effects of weak international bond markets, as the big institutions preferred to concentrate on the positive news on the domestic economy rather than outside influences.

But there was no denying that a steep decline in German bunds around lunchtime, and a weak performance by US bonds took some of the shine off the London market.

UK gilts, which began the session in reasonably good shape, were sold off in mid-session after news that a leading member of the Bundesbank Council said he was keen to keep German interest at their present levels for the near future.

Gilts rallied at the close, however, closing around six ticks higher on balance responding to news that there will be no gilts auction this month.

The FT-SE 100 index closed 8.8 higher on the session at 3,191.4, thereby extending the rise on the week to one of 49.1. The FT-SE Mid 250 index, which had been left behind the senior FT-SE index for much of the week, staged a rapid advance, thanks largely to a scintillating performance by the utilities areas of the market.

The regional electricity sector, easily the market's outstanding performer both before and after the electricity distribution review, galloped ahead with the Scottish generators and Northern Ireland Electricity, left behind by the English recs, catching the eye of the big institutional buyers. Panmure Gordon, the stockbroker, was again an aggressive supported of Scottish Hydro. Dealers said the big bull points in the recs included potential share buy backs, the probable sale of their stakes in the National Grid and increasing talk of the likelihood of stakebuilding and takeover bids in the sector.

Turnover in equities jumped to a week's high of 853.3m shares, with non-FT-SE 100 stocks accounting for a much higher than usual 75 per cent of activity, largely thanks to a big cross in Dragon Oil, one of the market's penny stocks. turnover in Dragon was recorded at 263m shares, or 30 per cent of overall share volume.

The value of customer business in the market on Thursday was recorded as £1.58bn, well up on recent levels.

Share prices weakened at the outset of trading with marketmakers happy to chop their opening levels after a fairly hefty decline on Wall Street overnight, but quickly encountered support as the FT-SE future began to pick up and a number of marketmakers moved in to fill in some worrying short positions. But it was clear that the real upward push in the market came in the utilities areas. The expiry of index options was also seen as one of the driving forces in the market.

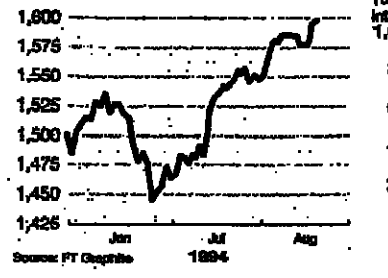
The market moved into positive territory as the index options expired and thereafter made gradual progress, shrugging off the setback in gilts at the same time.

There was no real lead for London from the US where Wall Street had posted a minor gain shortly after London closed.

Equity market strategists continued to adopt a positive view of recent economic developments. Mr Richard Jeffrey at Charterhouse Tilney, the stockbroker, said: "The equity market is in excellent shape; the only problem is the gilts market which doesn't seem to believe the inflation story in the UK. It is difficult to see equities making any significant progress until gilt yields fall by at least 50 points." Mr Jeffrey said he remained happy with his year-end forecast of 3,600 on the FT-SE 100.

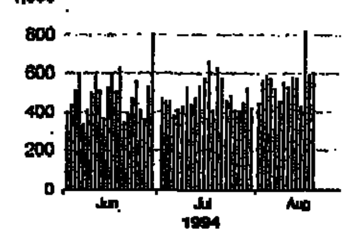
Mr Jeffrey said he expected the public sector borrowing requirement for the year to undershoot, coming out in the low £30bns against a Government target in the high £30bns. "The UK economy is probably the best performing economy of any of the leading international economies, " he added.

FT-SE-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key indicators

Indices and ratios		
FT-SE Mid 250	3753.9	+13.5
FT-SE-A 350	1611.2	+4.7
FT-SE-A All-Share	1598.16	+4.42
FT-SE-A All-Share yield	3.74	(3.75)
FT Ordinary index	2496.8	+6.4
FT-SE-A Non Fins p/e	19.85	(20.10)
FT-SE 100 Fut Sep	3208.0	+9.0
10 yr Gilt yield	8.75	(8.75)
Long gilt/equity yld ratio:	2.36	(2.35)

FT-SE 100 Index	
Closing index for Aug 19	3191.4
Change over week	+49.1
Aug 18	3182.6
Aug 17	3190.3
Aug 16	3147.3
Aug 15	3142.2
High*	3201.5
Low*	3138.7

*Intra-day high and low for week

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change		Vol. 000s	Closing price	Day's change
ASDA Group†	7,600	62½		Lonrho	968	131½	+½
Abbey National†	1,900	396		Lucas	2,100	185	-2
Albert Fisher	1,700	45	-2	MEPC†	268	457	+2
Allied-Lyons†	1,000	604	+3	MFI	1,200	144	-3
Anglian Water	618	557	+13	Manweb	191	803	+20
Argos	224	364		Marks & Spencer†	1,400	435	+1
Argyll Group†	6,200	288	+6	Midlands Elect.	1,100	773	+17½
Arjo Wiggins†	951	272	-2	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

EQUITY FUTURES AND OPTIONS TRADING

The expiry of the August index options was the main feature in an otherwise lacklustre session in the derivatives, *writes Joel Kibazo.*

The mid-morning expiry was without incident and total volume in the sector came to 34,232, of which 16,679 was done in the FT-SE 100 option and 7,923 in the Euro FT-SE option. Dixons was the busiest stock option with a total of 1,334 lots dealt.

In futures, volume in the September contract on the FT-SE 100 was 10,415 lots as it ended the session at 3,208, up 9 on its previous close.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3187.0	3208.0	+9.0	3214.0	3183.0	10415	57441
Dec	3201.5	3222.0	+9.0	3214.0	3201.5	563	4610
Mar	-	3242.0	+9.0	-	-	0	0

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3745.0	3765.0	+12.0	3750.0	3745.0	30	4407

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	3765.0	-	-	-	-	836

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3191) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

FT-SE-A INDICES - LEADERS & LAGGARDS

Percentage changes since December 31 1993 based on Friday August 19 1994

[illegible]

FT - SE Actuaries Share Indices — The UK Series

[illegible]

■ FT-SE Actuaries All-Share

[illegible]

79 Property(41)	1564.70	+0.2	1561.99	1566.72	1558.70	1571.30	3.85	3.85	31.66	36.91	892.28	[illegible]	4/2	1463.40	27/6	2132.40	[illegible]
80 INVESTMENT TRUSTS(123)	2889.25	-0.3	2888.98	2905.03	2867.05	2590.20	2.09	1.80	56.13	44.49	960.65	3184.31	2/2	2818.98	27/6	3184.31	2/2/94	577.20	14/1/86
89 FT-SE-A ALL-SHARE(882)	1598.16	+0.3	1593.74	1598.52	1578.30	1518.01	3.74	6.37	18.67	40.92	1251.85	1784.11	2/2	1445.85	24/8	1784.11	2/2/94	61.92	13/12/74

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3171.3	3176.4	3182.9	3185.1	3183.9	3184.6	3188.4	3185.8	3191.5	3191.8	3170.0
FT-SE Mid 250	3732.6	3735.6	3740.9	3744.3	3748.3	3748.4	3748.9	3748.8	3754.9	3755.1	3732.0
FT-SE-A 350	1601.3	1603.6	1606.6	1607.8	1607.6	1607.8	1609.7	1608.5	1611.4	1611.4	1600.8

Time of FT-SE 100 High: 4.11 pm Low: 8.35 am

■ FT-SE Actuaries 350 industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1103.2	1105.3	1105.5	1109.0	1109.0	1109.0	1109.4	1111.4	1113.5	1112.5	1109.0	+3.5
Pharmaceuticals	3141.2	3139.3	3156.2	3154.5	3149.9	3149.9	3151.3	3157.2	3158.2	3156.7	3154.8	+1.9
Water	1889.5	1891.4	1891.5	1892.0	1898.9	1900.0	1903.5	1909.0	1945.1	1943.6	1891.0	+52.6
Banks	2785.8	2790.9	2795.9	2803.2	2805.1	2813.6	2817.8	2807.9	2811.4	2811.6	2805.9	+5.7

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
FT-SE Total Return Indices	31/12/92	1000.00	FT-SE Mid 250 ex Inv Trusts	31/12/85	1412.60	Water	29/12/88	1000.00	UK Gilts Indices	31/12/75	100.00
FT-SE SmallCap	31/12/92	1363.79	FT-SE-A 350	31/12/85	682.94	Non-Financials	10/4/62	100.00	Index-Linked	30/4/82	100.00
FT-SE SmallCap ex Inv Trts	31/12/92	1363.79	FT-SE 100	31/12/83	1000.00	FT-SE-A All-Share	10/4/62	100.00	Debs and Loans	31/12/77	100.00
FT-SE Mid 250	31/12/85	1412.60	Electricity	31/12/90	1000.00	All Other	31/12/85	1000.00			

The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-SE Actuaries All-Share Index and the FT-SE SmallCap Index are compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1994. © The Financial Times Limited 1994. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. Auditor The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. DELETION: Abtrust New Dawn C (80).

Strong demand for recs

Investor appetite for the regional electricity stocks (recs) remained insatiable yesterday with strong gains across the board. Driving the stocks forward was continuing speculation of potential bid and merger activity, as well as strong talk of share buy-backs and special dividend payments.

Underpinning the bullish tone were a combination of broker and company roadshow presentations to institutional investors, all of which were highlighting the highly positive view taken by the industry and observers post the Offer distribution review just over a week ago.

Yesterday came suggestions that East Midlands would be unveiling a £2 a share special dividend with its interim figures next month. There was also further talk of stake building following the 2.9 per cent block bought in Eastern by a US institution shortly before the Offer review.

There were strong performances across the board, although one dealer was keen to point out that turnover was not exceptional. Yorkshire surged 31 to 718p, South West 26 to 767p, South Wales 32 to 787p, Norweb 30 to 805p, East Midlands 29 to 741p and Eastern 29½ to 809½p. As a point of reference, Eastern shares have risen 10 per cent since the Offer review on August 11.

The generators were also attracting attention as the recs caught up with their ratings. Scottish Power stood out, Panmure Gordon recommending the shares, which jumped 16 to 423p with 8.5m traded.

The strength in the recs was also turning some investors, particularly in income funds, towards the water stocks. Yield considerations helped Thames rise 19½ to 536½p, Severn Trent 17 to 593p and Northumbrian 27 to 711p.

A large seller of stock in Lloyds Chemist, the high street drugs group, sent the shares into retreat, ending the session 8 down at 304p. Dealers speculating on the sale were pointing the finger at one of the big US shareholders as the seller of the 8 per cent stake, which is thought to have been sold by Goldman Sachs via Smith New Court. The 10.3m shares were sold into the market at 293p a share in two large blocks and were believed bought by a number of UK institutions.

Boots rallied after falling in late trading on Thursday on talk of a rival thyroid drug from Glaxo. Analysts were dismissive of the tale and the shares opened brightly and were supported by rumours of a share buy-back. These were seemingly emanating from presentations by the company to institutions in which fund managers' fears over any dilution coming from the sale of the pharmaceutical division were being allayed with the buy-back hints. Boots shares climbed 8 to 547p.

Bargain-hunters in British Gas which has underperformed the market throughout the year, helped the shares advance 7 to 302p, in trade of 6.1m.

The shares are favoured by Nomura Securities and this week it issued a strong buy circular on the stock. Analysts at the broker said: "Regulatory uncertainity has been instrumental in the 20 per cent underperformance of the shares since December last year. However, the regulatory fog is now starting to clear." They concluded: "The current yield relative is too high for a company capable of increasing its dividend in the medium term."

Food retailers awoke from their recent slumber with Argyll Group responding to a profits upgrade. Smith New Court was said to have been responsible. The shares added 6 to 288p. Kwik Save managed to steady at 597p despite negative press comment.

Market speculation over an increase in the price of The Sun from 20 to 22p, and a less likely possibility that The Times would follow with a 5p jump, pushed Mirror Group up 5 to 138p. Analysts suggested that the price war between The Times and The Telegraph was unlikely to end soon but added that if the former raised its price, it would mark the beginning of the end of the war, in which The Times has gained most ground. However, they suggested that News International had significant scope to raise the prices of its newspapers since The Sun was 7p cheaper than its main rival, The Mirror, and the bulk of revenue generated by The Times came from advertising profits. Shares in The Telegraph put on 7 to 381p in turnover of 1.2m shares. Pearson fell 5 to 629p ahead of interim results in a fortnight. United News moved up 8 to 543p.

Relaxation of ownership rules in ITV increased market speculation of possible takeover bids, strengthening TV contractor share prices. Scottish TV put on 8 to 429p, Ulster TV 14 to 619p and Yorkshire TV 17 to 351p, its highest price since February.

Positive comment by James Capel pushed constructions group Vibroplant up 2 to 103p. Analysts expected the sector to pick up next week when a batch of company results are to be announced, in which they would especially focus on the company reports. The ruling earlier this week by a US district judge that a class action settlement involving 20 companies including components group T&N was fair, continued to boost the shares. They hardened another 2 to 249p.

Shares in engineering group Siebe were down 24 at the day's worst before steadying to close 17 off at 583p, after a close look at the company accounts by several brokers revealed that the company had taken an £11.3m profit on the sale of assets as an operational profit rather than as an exceptional item. Analysts suggested that profits should thus be lowered by that amount.

However, Mr Paul Compton at Credit Lyonnais among those to study the figures, said the shares price fall was "something of an extreme reaction to comments made at a morning meeting."

The group's shares have from time to time been vulnerable to comments made about its accounting policy.

The falls on the Hong-Kong and Tokyo markets hurt services group Inchcape which has interests in Hong-Kong and is an importer of Japanese cars into the UK. The shares relinquished 9 to 477p, after trade of 1.7m.

Elsewhere among oils, turnover in Dragon Oil was a massive 263m shares as two funds said to be connected to Morgan Grenfell changed stakes. The shares closed unchanged at 1¾p.

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (58).

BUILDING & CNSTRN (1) Brandon Hire, CHEMICALS (1) Allied Colloids, DISTRIBUTORS (4) Adam & Harvey, Northamber, Spandex, Wilshaw, DIVERSIFIED INDLS (2) Sime Darby, Whitecroft, ELECTRICITY (4) East Midlands, Eastern, Midlands, South Western, ELECTRNC & ELECT EQUP (2) Emess, Nokia Prf, ENGINEERING (3) Ransomes, Do. Prf., Starling Inds, ENG, VEHICLES (2) Airflow Streamlines, Bostrom, EXTRACTIVE INDS (4) HOUSEHOLD GOODS (1) Osborne & Little, INVESTMENT TRUSTS (2) 3i, Brazilian Warrants, LEISURE & HOTELS (8) Bluebird Toys, Boosey & Hawkes, Bristol Scotts, Hozelock, London Clubs, Pelican, OIL EXPLORATION & PROD (3) Gulfstream Res Canada, Ranco Energy, Sun Res, OTHER SERVS & BUSNS (3) Great Southern, Greenway Hldgs, Plantsbrook, PRTNG, PAPER & PACKG (2) Kymmene, Sappi, RETAILERS, FOOD (3) Low (Wm.), Morrison (W) Supermarkets, Park, RETAILERS, GENERAL (5) Etam, French Connection, Goldsmiths, Next, Vendome Luxury Uts, SPIRITS, WINES & CIDERS (1) Matthew Clark, SUPPORT SERVS (4) Alphameric, Hawtal Whiting, Reed Executive, Rolfe & Nolan, TELECOMMUNICATIONS (1) Securicor, TEXTILES & APPAREL (2) Bullers, Wensum.

NEW LOWS (38).

GILTS (17) BANKS (2) Bank of Scotland 9¼pc Ird Prf., Do. 9¾pc Pf, BUILDING & CNSTRN (1) Eve, CHEMICALS (2) Camentone, Do. Warrants, DISTRIBUTORS (2) Appleyard, Kwik-Fit, ENGINEERING (5) Beckenham, Clyde Blowers, Concentric, Morgan Crucible Prf., Radiant Metal, EXTRACTIVE INDS (3) Orion Res., Precious Metals Australia, Walbala, FOOD MANUF (1) Canadian Pizza, INVESTMENT TRUSTS (3) Henderson Eurotrust Uts, Israel Fd, Olim Zero Cpn Prf, INVESTMENT COMPANIES (1) Indonesia Equity Wrts, LEISURE & HOTELS (1) Kunick Prf., MEDIA (1) Sleepy Kids, OIL, INTEGRATED (1) Chevron, OTHER FINANCIAL (1) Berry, Birch & Noble, OTHER SERVS & BUSNS (1) Brit. Bloodstock, PHARMACEUTICALS (1) Schering, PRTNG, PAPER & PACKG (1) Hunterprint, PROPERTY (2) Smith (J) Ests., Specialty Shops, SUPPORT SERVS (4) CRT, Gresham Telecomputing, Johnson Cleaners, Macro 4, AMERICANS (3) Eaton, Questex, Texaco.

■ CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises			
Bostrom	275	+	22
Clarke (T)	54	+	5
DCS	70	+	12
Drew Scientific	29	+	3
Eastern Elect	809½	+	29½
Hawtal Whiting	163	+	14
Kode Intl.	45	+	7
Park Food	134	+	10
Plantsbrook	163	+	15
Scot Power	423	+	16
Sth Wales Elect	787	+	32
Thames Water	536½	+	19½
Virtuality	207	+	28
Falls			
Clyde Blowers	195	–	11
Eng China Clay	383	–	9
Hunterprint	9	–	7
Inchcape	477	–	9
Lloyds Chem	304	–	8
Siebe	583	–	23
Sleepy Kids	51	–	4

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Pool purchase price £/MWh (trading on 20.08.94)	Final Pool purchase price £/MWh (trading on 23.07.94)	Pool selling price £/MWh
0030	10.05	12.81	15.07
0100	9.57	10.40	10.40
0130	9.56	9.90	9.90
0200	9.56	9.61	9.61
0230	9.56	9.61	9.61
[illegible]	[illegible]	[illegible]	[illegible]

FT MANAGED FUNDS SERVICE

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Polaton York UT Mngrs (0900)F
The Crescent, King St, Leicester LE1 6RX 0533 550540

Portfolio Fund Management Ltd (0900)F
1 White Hart Yard, London SE1 1NX 071-407 5966

Effective Initial Charge reduces for investments over £5,000

Premium Life Unit Tst Mngrs Ltd (1400)F
37 Perrymount Rd, Haywards Heath 0444 458721

Monthly Income	6	57.36	58.53	62.10	[illegible]	2.35
Growth Accum	6	82.66	84.63	89.71	[illegible]	1.84
Growth Income	6	82.03	84.20	89.05	[illegible]	1.84

Principal Unit Trust Mngmt Ltd (1600)F
16 South Park, Sevenoaks, TN13 1AN 0732 740700

Principal Tst	5¼	130.20	131.75xd	140.17	+0.08	1.73

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

INSURANCE

هكذا في الاصل

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

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Scottish Mutual Assurance plc - Contd.

Scottish Provident Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

هكذا في الأصل

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Abtrust Fund Mngrs Luxembourg SA (u)

[illegible]

HSBC Investment Funds Luxembourg SA - Contd.

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

Israel Selection Fund

[illegible]

World Bond Fund-SICAV (z)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

Ermitage Group

[illegible]

Jardine Fleming Unit Trusts Ltd - Contd.

[illegible]

Putnam Embassy Funds Ltd

[illegible]

MANAGED FUNDS NOTES

[illegible]

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Aug 19 / US$)

[illegible]

CANADA (Aug 19 / Can. $)

[illegible]

EUROPE

AUSTRIA (Aug 19 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Aug 19 / Frs.)

[illegible]

DENMARK (Aug 19 / Kr)

[illegible]

FINLAND (Aug 19 / Mkk)

[illegible]

FRANCE (Aug 19 / Frs.)

[illegible]

GERMANY (Aug 19 / Dm.)

[illegible]

ITALY (Aug 19 / Lire)

[illegible]

NETHERLANDS (Aug 19 / Fls.)

[illegible]

NORWAY (Aug 19 / Kroner)

[illegible]

SPAIN (Aug 19 / Pts.)

[illegible]

SWEDEN (Aug 19 / Kronor)

[illegible]

SWITZERLAND (Aug 19 / Frs.)

[illegible]

AFRICA

SOUTH AFRICA (Aug 19 / Rand)

[illegible]

PACIFIC

JAPAN (Aug 19 / Yen)

[illegible]

AUSTRALIA (Aug 19 / Aust$)

[illegible]

HONG KONG (Aug 19 / H.K.$)

[illegible]

MALAYSIA (Aug 19 / MYR)

[illegible]

SINGAPORE (Aug 19 / S$)

[illegible]

INDICES

	Aug 19	Aug 18	Aug 17	1994 High		1994 Low	
Argentina							
General (29/12/77)	(u)	20134.45	20291.23	25470.40	16/2	17756.90	20/4
Australia							
All Ordinaries(1/1/80)	2058.1	2066.8	2059.5	2340.60	3/2	1957.40	27/6
All Mining(1/1/80)	1025.8	1019.0	1015.1	1198.10	3/2	904.60	5/5
Austria							
Credit Aktien(30/12/84)	417.98	419.13	419.55	460.66	2/2	398.97	22/6
Traded Index(2/1/91)	1111.52	1114.41	1118.24	1222.25	1/2	1011.38	6/6
Belgium							
BEL20 (1/1/91)	1447.20	1449.46	1480.58†	1542.66	9/2	1383.98	13/7
Brazil							
Bovespa (29/12/83)	(u)	50256.0	49889.0	60266.00	18/8	3800.90	3/1
Canada							
Metals Minls♦(1975)	(u)	3812.11	3830.19	3985.31	3/8	3299.06	20/4
Composite♦ (1975)	(u)	4184.40	4205.27	4609.90	23/3	3858.90	24/6
Portfolio§§ (4/1/83)	(u)	1985.49	1995.90	2182.89	1/2	1053.17	30/7
Chile							
IPGA Gen (31/12/80)	(u)	4520.9	4508.8	4867.80	4/2	3801.20	4/4
Denmark							
CopenhagenSE(3/1/83)	385.76	386.90	388.25	416.79	2/2	358.60	22/6
Finland							
HEX General(28/12/90)	1876.1	1838.0	1813.5	1972.00	4/2	1601.10	3/1
France							
SBF 250 (31/12/90)	1344.90	1349.38	1360.22	1586.20	2/2	1265.38	4/7
CAC 40(31/12/87)	2001.33	2010.54	2034.98	2355.93	2/2	1898.18	4/7
Germany							
FAZ Aktien(31/12/58)	811.48	815.01	820.24	899.27	18/5	757.51	27/6
Commerzbank(1/12/53)	2305.3	2315.6	2323.1	2485.50	2/5	2149.30	27/6
DAX (30/12/87)‡	2149.57	2153.56	2162.29	2271.11	18/5	1988.82	20/6
Greece							
Athens SE(31/12/80)	873.03	878.18	898.37	1194.58	18/1	808.67	25/5
Hong Kong							
Hang Seng(31/7/64)	9404.44	9518.89	9537.98	12201.09	4/1	8390.44	4/5
India							
BSE Sens.(1979)	4468.7	4534.3	4506.5	4534.30	18/8	3454.00	5/1
Indonesia							
Jakarta Comp.(10/8/82)	492.21	492.86	(c)	612.89	5/1	449.72	12/7
Ireland							
ISEQ Overall(4/1/88)	1819.74	1841.82	1850.13	2082.18	20/1	1694.14	1/7
Italy							
Banca Comm Ital (1972)	661.15	644.83	648.22	817.17	10/5	588.85	10/1
MIB General (4/1/94)	1068.0	1042.0	1049.0	1318.00	10/5	944.00	10/1
Japan							
Nikkei 225 (16/5/49)	20612.70	20662.77	20824.56	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	298.94	302.76	302.79	311.71	13/6	258.22	4/1
Topix (4/1/68)	1643.82	1663.09	1663.75	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2423.75	2458.52	2473.55	2542.65	6/7	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1140.70	1138.34	1126.14	1314.46	5/1	928.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2698.24	2699.65	2881.17	8/2	1957.33	20/4
Netherland							
CBS TtlRtnGen(End 83)	430.9	432.7	436.3	454.90	31/1	406.30	21/6
CBS All Shr (End 83)	273.5	274.8	276.9	294.80	31/1	257.90	21/6
New Zealand							
Cap. 40 (1/7/86)	2090.73	2097.38	2101.46	2430.64	3/2	1945.51	11/7
Norway							
Oslo SEInd(2/1/83)	1111.73	1109.92	1116.06	1271.10	28/2	969.91	21/6
Philippines							
Manila Comp (2/1/85)	3006.70	3004.07	3029.70	3308.37	4/1	2507.33	9/3
Portugal							
BTA (1977)	2915.6	2906.0	2903.7	3229.88	18/2	2812.80	20/6
Singapore							
SES All-S'pore(2/4/75)	574.28	576.75	574.86	641.81	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	2194.0♥	2181.0	2152.0	2331.00	4/1	1749.00	14/2
JSE Indl. (28/9/78)	6600.0♥	6614.0	6610.0	6757.00	15/8	5448.00	19/1
South Korea							
KoreaCmpEx(4/1/80)**	943.23	946.48	942.96	974.26	2/2	855.37	2/4
Spain							
Madrid SE (30/12/85)	307.15	307.08	311.02	358.31	31/1	291.43	6/7
Sweden							
AffarsvarldGen (1/2/37)	1423.7	1413.9	1408.0	1609.90	31/1	1334.70	6/7
Switzerland							
Swiss Bk Ind (31/12/58)	1227.92	1238.78	1242.96	1423.34	31/1	1157.97	18/7
SBC General (1/4/87)	915.79	923.63	927.78	1093.29	31/1	888.10	13/7
Taiwan							
WeightedPr.(30/6/66)**	6766.38	6586.16	6645.90	6944.91	9/8	5194.63	19/3
Thailand							
Bangkok SET (30/4/75)	1488.82	1483.99	1473.48	1753.73	4/1	1186.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	(u)	26081.2	26206.4	28883.60	13/1	12980.70	24/3
WORLD							
MS Capital Int (1/1/70)§	637.0*	638.4	638.2*	641.00	1/2	581.60	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1352.29	1352.63	1362.77	1549.19	31/1	1309.48	21/6
Euro Top-100 (26/6/90)	1204.57	1204.19	1210.42	1311.01	2/2	1143.06	21/6
JCapelDrgns (31/12/88)	(u)	332.03	331.11	395.19	5/1	288.28	21/3
Barings Emerg.(7/1/92)	181.79	180.82	178.28	182.72	14/2	141.65	21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Aug	2017.0	2007.0	-9.0	2030.0	2004.0	15,308	23,397
Sep	2024.0	2014.5	-9.5	2037.0	2016.0	489	28,303
Oct	2033.0	2024.0	-9.0	2033.0	2033.0	-	1,625

Open interest figures for previous day.

US INDICES

Dow Jones	Aug 18	Aug 17	Aug 16	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3755.43	3778.48	3784.57	3978.36 (31/1)	97.84 (28/7)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.86	97.90	97.98	105.81 (21/1)	96.43 (13/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1593.70	1611.84	1604.74	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	186.66	188.04	189.69	227.08 (3/1)	176.71 (24/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3793.63 (u) Low 3736.98 (u) (Theoretical♦)
Day's high 3776.48 (3795.25) Low 3749.28 (3772.91) (Actual♦)

Standard and Poors							
Composite ‡	463.17	465.17	465.01	482.00 (2/2)	438.92 (4/4)	534.19 (29/7/94)	4.40 (1/6/32)
Industrials♥	542.10	543.84	542.71	580.59 (2/2)	510.05 (21/4)	580.59 (2/2/94)	3.62 (21/6/32)
Financial	45.49	45.72	45.87	48.94 (14/6)	41.39 (4/4)	48.49 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	255.49	256.40	258.25	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	443.55	444.94	443.66	487.89 (2/2)	422.57 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	742.17	742.66	736.51	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Aug 12	Aug 5	Jul 29	Year ago
Dow Jones Ind. Div. Yield	2.70	2.72	2.72	2.86
	Aug 10	Aug 3	Jul 27	Year ago
S & P Ind. Div. yield	2.43	2.42	2.45	2.52
S & P Ind. P/E ratio	23.61	23.55	23.13	25.14

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Sep	463.00	463.10	-0.10	464.00	462.35	63,953	200,620
Dec	466.50	465.80	-	466.65	465.80	3,165	25,004
Mar	-	469.30	-	469.80	-	95	4,218

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
Telefonos	4,320,300	65	-½
IBM	4,195,800	66¼	+1⅜
Coca Cola	4,172,300	47⅝	+1½
Gen Electric	4,114,300	47⅛	-¼
Merck	3,243,400	33¾	-⅛
Ford Motor	2,499,300	29⅛	-1⅜
Mylan Labs	2,161,300	26⅛	+2¾
Chrysler	2,021,800	47¼	-1⅛
Gen Motors	2,014,300	49⅝	-1⅛
Compaq	2,007,800	37¼	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Aug 18	Aug 17	Aug 16
New York SE	284.967	309.249	304.452
Amex	15.015	13.379	13.898
NASDAQ	311.115	305.442	273.649
NYSE			
Issues Traded	2,851	2,860	2,887
Rises	847	1,192	1,282
Falls	1,291	950	904
Unchanged	713	707	701
New Highs	44	83	65
New Lows	38	29	47

** Sat Aug 13: Taiwan Weighted Price 6663.91; Korea Comp Ex (c) . Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 19 - 2143.84 -7.60

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

FT FREE ANNUAL REPORTS SERVICE

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WORLD STOCK MARKETS

AMERICA

IBM helps Dow into positive ground

Wall Street

US stocks were ending a volatile week on a soft note yesterday morning, as a timid bond market held most share prices in check, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 5.51 better at 3,760,94, while the more broadly based Standard & Poor's 500 inched 0.80 forward at 463.97.

In the secondary markets, the American SE composite was up a scant 0.77 at 444.32, and the Nasdaq composite edged 0.16 ahead to 742.33.

Trading was brisk, with 163m shares exchanged on the Big Board by early afternoon. The monthly expiration of options on stock index futures and individual stocks was generating extra volume, but the "double witching" activity was having no discernible effect on prices.

Indeed, investors struggled to find any source of inspiration.

The benchmark 30-year government bond was showing losses for a third straight day, reinforcing a negative tone that emerged in the aftermath of Tuesday's move by the Federal Reserve to tighter money.

The Dow industrial index was aided by another good performance by IBM, which gained $1 to $67¼.

A day earlier, Merrill Lynch raised its 1994 earnings projection for the computer company, pushing its share price up to $66⅞. Yesterday that valuation led Mr David Wu, an analyst at SG Warburg, to lift his price target for the stock to at least $80 by the middle of next year.

But most cyclical issues drifted. Among the most notable movers, Deere dropped a further $1¼ to $65⅝ and Navistar International, up $⅜ at $15⅝, continued to benefit from a positive earnings report.

In the energy sector, Mobil stood out with a $1⅛ gain to $81⅞.

The NYSE's most actively traded issue was 20th Century Industries. The insurance company's share valuation dropped 22 per cent or $3⅝ to $12⅝ after a California court decided to allow a referendum designed to force a cut in premium rates charged by companies operating in the state.

On the Nasdaq, Autodesk was near the top of the most active list. The stock surged 17 per cent or $8½ to $58¼ after the company dispelled concerns over a new-product launch and said it expected to come in at the high end of earnings forecasts.

Elsewhere, bargain hunters propped up Lotus Development by 1\frac{1}{16}$ to $42¼ a day after the stock plunged on negative comments by Wall Street analysts.

Snapple Beverages was set back $1 to $13⅞.

Canada

Toronto stocks continued to edge down at midday. The TSE 300 composite index was off 3.50 at 4,180.90 in volume of 20.1m shares valued at C$267.1m.

Declining stocks led advances by 252 to 210, with 285 issues unchanged. Of Toronto's 14 sub-indices, nine sectors had slipped back by midday. The communications sector index was off 40.29 at 8,583.77.

Nova led the winners, up C$⅛ at C$13⅛ in 1.2m shares. Analysts said that the shares were lifted by recent gains in Methanex in which Nova holds a 24 per cent stake. Methanex, however, was down C$⅜ at C$22⅝ by noon.

Mexico

Stocks opened mainly flat in light trading as investors paused ahead of Sunday's presidential election. The IPC index was off 3.77 at 2,694.29 in light turnover of 63.9m pesos.

Telmex L series shares, which are available to foreign investors, were up 4 centavos at 11 pesos.

Venezuela

Share prices in Caracas rose strongly with Electricidad de Caracas leading the rally, its shares closing up 15.50 bolivars at 341.00 bolivars.

The Merinvest composite index closed nearly 4 per cent up at 144.10 in good volume.

Zurich hopes that the agony is finally over

Ian Rodger on the embattled Swiss equity market

Is the agony finally over? That is certainly what dazed investors in the Swiss market are hoping now that the big banks and the pharmaceuticals giant, Roche, have reported their disappointing interim results.

But there is little sign of optimism about a quick or substantial recovery from the 14 per cent slide in the all share Swiss Performance index since the beginning of February. The blue chip Swiss Market Index (SMI) of 22 leading shares has tumbled even more, 18 per cent over the same period, because of the heavy weighting of Roche and the bank shares.

After so many unpleasant surprises in the first half of the year, many analysts are unwilling to predict a specific target for the main indices over the next few months. Others are cautious. "I can see the SMI up 10 per cent by the end of the year, with most of the action in the fourth quarter," says Mr Frederick Hasslauer, of Bank Sal Oppenheim in Zurich.

Mr Serge Ledermann of the Geneva bankers, Lombard, Odier has pencilled in a similar rise for the SPI to 1,900, but only if interest rates remain stable and the dollar strengthens slightly.

Many analysts say, with varying degrees of conviction, that the market has now found a secure base, with the SMI around the 2,600 level. They point out that since its last downward jag in June, caused mainly by the weakness in Roche, the SMI has moved within a narrow range between 2,500 and and 2,600.

But opinions vary enormously on what will happen from here. For Mr Hasslauer and others, the blue chips are unlikely to recover their lustre for some time, so the emphasis should be on the cyclicals and second tier shares. In both categories, selection is crucial.

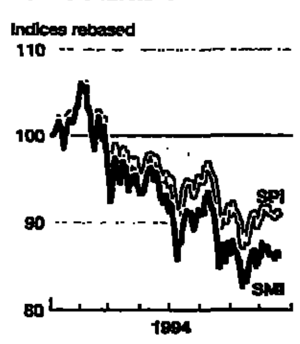
There is much enthusiasm in some quarters for ABB Asea Brown Boveri, the power engineering group, in spite of the dour response to its interim report on Wednesday. The Brown Boveri bearer shares, at SFr1,259 in advance of the results, dropped quickly to SFr1,215, in spite of the 31 per cent rise in net income and a positive outlook.

Mr Simon Marshall-Lockyer of Kleinwort Benson in London says he would not be surprised if there was further profit taking in BBC in the near term. But he argues that prospects in the medium term are very exciting because of the huge demand for new electric power capacity in China and other fast growing Asian countries.

Mr Marshall-Lockyer also likes Ciba because of its strong chemicals content, the cement giant Holderbank and Swissair.

Swiss markets

Indices rebased



Source: Datastream

Much maligned in the past two years, Swissair has bounced back in the past few weeks following publication of statistics revealing improved loads and yields. Also, a very bullish report from Union Bank of Switzerland, upgrading the registered shares to a "strong buy", has helped push them from SFr790 to SFr865 in the past two weeks.

Mr Thomas Kalbermatten, the UBS analyst, sees them going to SFr900 "quite quickly". He says that demand for business class seats is picking up and that Swissair has a better quality business class than some rivals. Also, its cost cutting programmes are beginning to show results, he believes.

Second tier enthusiasts got a jolt two weeks ago when the leading department store group, Grands Magasins Jelmoli, bought the controlling interest in an appliance retailer, Fust, from the Fust family. To the anger of a number of analysts and British institutions, Jelmoli offered minority shareholders a lower price for their Fust shares than it offered the family.

There were fears that this discrimination, still allowed under Swiss law, would snuff out international investors' enthusiasm for shares of other smallish, family controlled companies. But Mr Marshall-Lockyer, for one, is maintaining a heavy weighting for second tier shares, recommending the mechanical engineer, SIG, the packaging machinery group, Bobst, and the textile machinery groups, Zellweger and Rieter.

For other analysts, the play on cyclicals in the main European markets, including Switzerland, is largely over. On Thursday, Thomas Pfyl of Bank J. Vontobel in Zurich revised his BBC rating from buy to hold, saying that after a very good run, the share was unlikely to continue to outperform the market.

Some analysts are beginning to suggest that, given the renewed volatility of currencies and interest rates, the defensive qualities of the traditional Swiss market leaders - the pharmaceuticals, Nestlé and the banks and insurance companies - could soon return to favour.

Mr Marc Polydor, of Banque Scandinave en Suisse, points out that although financials began to slide in February, they have underperformed the market for a year. "I think we could see some comeback of interest sensitive stocks. Most of the bad scenarios have been discounted," he says.

Among the big banks, analysts generally prefer CS Holding, the group built around Credit Suisse. Its shares performed the worst among the big three in the first half, the bearers falling 22.5 per cent. Yet its interim profits, last Wednesday, were not as badly down as those of its two rivals.

"We think the CS shares have been oversold," Ledermann of Lombard, Odier says.

EUROPE

Bourses fall on weakness in bond markets

Renewed weakness in bond markets, and inflation worries in the US gave bourses an uncomfortable run into the weekend, *writes Our Markets Staff.*

FRANKFURT went tamely into the expiry of the Dax option, the key index easing 3.99 to 2,149.57, down 1.2 per cent on the week, against a striking level of 2,150. The Ibis indicated Dax fell further to 2,143.84 in the post-bourse.

Turnover stayed low, down from DM5.9bn to DM5.2bn. The two main stories of the day were in second rank blue chips: Schering, the pharmaceuticals group, and Lufthansa, the airline and prime privatisation candidate.

Schering, which fell DM42.50 to DM915 on Tuesday on news that two of its drugs were under official scrutiny, lost another DM9 to DM899, 6.1 per cent down over four days. Mr Hans-Peter Wodniok at Robert Fleming in Frankfurt said that around 10 per cent of Schering's revenues could be affected.

Lufthansa, initially, reacted well to an interim report which indicated that recovery was on the way, hitting an intraday peak of DM217; the euphoria did not last, and the shares closed 70 pfg lower at DM214.80 before subsiding to DM211.50 after hours.

PARIS finished the session in a subdued mood with the CAC-40 index slipping 9.21 to 2,001.33, barely changed on the week and, as last week, just holding the 2,000 support ahead of the weekend. The session saw a low point of 1,993.89, against an intraday high of 2,0209.51.

Turnover remained modest at FFr2.2bn.

Générale des Eaux, which reported a slight increase in half year sales, lost FFr3 to FFr533 while Eurotunnel, which reported sales figures for the first time – FFr19m for the second quarter – slipped 15 centimes to FFr25.55.

Danone, which denied reports that it might sell its jam making division, lost FFr12 to FFr832.

AMSTERDAM featured activity in Fokker, the aircraft manufacturer, following disappointing half year results which came after the close of business on Thursday. The group's shares dipped to a day's low of Fl 15.10 before closing off 90 cents at Fl 15.90.

The AEX index slipped 1.72 to 412.45 as it faced further pressure from options expiry, a week's fall of 0.5 per cent.

MILAN made progress as investors bought shares in BCI and Telecom Italia. BCI rose L130 to L3,680 while Telecom Italia, whose shares began to trade on Thursday, gained L120 to L4,310.

The Comit index rose 16.32 to 661.15, up 2.6 per cent on the week.

Kleinwort Benson,in a comment on the Italian equity market, said that the recent decision by the Bank of Italy to raise interest rates had not only dispelled doubts over its independence but also placed the government in "the most uncomfortable position at the worst possible time... The only good thing about the recent events is that the pressure on the government to act has increased".

Kleinwort's said that it expected the government to follow a tight monetary policy and forecast that the market would rise to the 800 level in the next three months.

ZURICH fell by a percentage point on the day and by much the same on the week, the SMI index losing 25.9 at 2,556.8 in low volume. In banks, selling turned to CS Holding, down SFr14 to SFr535 while UBS, the most active stock, lost SFr19 at SFr1,091. SBC, this week's villain in the sector, recovered SFr2 to SFr376.

MADRID declined for the sixth consecutive session, the general index closing 0.90 lower at 306.18, 2.1 per cent lower on the week in turnover of Pta27.5bn.

One or two construction stocks bucked the trend, with Cubiertas up Pta290 at Pta10,400 and Uralita Pta75 better at Pta1,535.

HELSINKI had another good day after Thursday's 1.35 per cent gain, the Hex index rising 38.1, or 2.1 per cent to 1,876.1, 3 per cent higher on the week.

Ecomomists looked at budget plans and said that the Finnish government had lived up to its promise by keeping next year's budget expenditure, and the deficit with set limits. This, they said, was good news for the economy, and for financial markets.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices

Aug 19 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1354.19	1353.16	1353.46	1352.80	1353.42	1354.35	1353.68	1352.29
FT-SE Eurotrack 200	1415.94	1414.75	1414.40	1412.91	1413.25	1416.65	1413.34	1413.21

	Aug 18	Aug 17	Aug 16	Aug 15	Aug 12
FT-SE Eurotrack 100	1352.63	1362.77	1358.59	1351.19	1352.33
FT-SE Eurotrack 200	1415.01	1423.69	1414.41	1407.89	1408.39

Base 1000 (26/10/90) High/day: 100 - 1355.64; 200 - 1417.74 Low/day: 100 - 1351.98 200 - 1411.73 † Partial

SOUTH AFRICA

Shares ended mixed in unenthusiastic trade ahead of the weekend. De Beers came under renewed pressure from US selling to close down R2.50 at R107. The overall index shed 15 to 5,799, while industrials lost 27 to 6,589 and the gold index rose 15 to 2,196.

ASIA PACIFIC

Yen drives down Nikkei in volatile region

Tokyo

The yen's renewed strength against the dollar discouraged investors, and share prices lost ground for the first time in four trading days, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index fell 350.07, or 1.7 per cent, to 20,512.70 on arbitrage unwinding, leaving it down 0.7 per cent on the week. The index opened at the day's high of 20,803.36 and hit a low of 20,501.20 just before the close.

A sharp rise in the yen against the dollar triggered by the US trade deficit with Japan prompted the sell-off. The dollar fell to a three week low, below the Y98 level.

Some domestic financial institutions, including public pension and insurance funds, were seen supporting share prices at lower levels, while overseas investors bought construction, steel and chemical stocks.

Volume was 254m shares against 266m. The Topix index of all first section stocks fell 19.27 to 1,643.82 and the Nikkei 300 declined 3.82 to 298.94. Declines outnumbered advances 856 to 149, with 147 issues remaining unchanged.

In London the ISE/Nikkei 50 index rose 0.16 to 1,332.20.

Export oriented stocks were hit by the yen. Nissan Motor, the day's most active issue, fell Y23 to Y787, while Sharp declined Y60 to Y1,790 and Hitachi Y25 to Y985.

Steel makers fell on profit-taking amid active trading – Nippon Steel fell Y6 to Y368 and Sumitomo Metal Industries declined Y1 to Y338.

Chemicals, which had been popular among foreign investors recently, were mixed. Sumitomo Chemical rose Y5 to Y580 on afternoon buying, while Mitsubishi Kasei dropped Y11 to Y551 on profit-taking.

Some construction companies were supported by overseas investors. Penta-Ocean Construction rose Y9 to Y639 and Obayashi Y4 to Y706.

In Osaka, the OSE average fell 209.84 to 22,980.06 in volume of 56.1m shares.

Roundup

The region was volatile.

HONG KONG took profits amid concern over some key earnings reports due next week, and fears of an prime rate rise which were justified by a lift of half a percentage point after the market closed. The Hang Seng index ended down 114.45 at 9,404.44, down 6 per cent over the week.

In *London* trading the indicative index was quoted at 9,407.

Dealers said expectations for next week's batch of earnings were still relatively high, but investors were selling on worries that they could leave share prices still lower.

BOMBAY's BSE index closed 65.55 lower at 4,468.78 as speculators sold ahead of four days of holidays and investors kept to the sidelines. The BSE fell 0.9 per cent over the week.

TAIWAN rose 180.22, or 2.7 per cent to 6,776.38 in heavy turnover of T$109bn, for a week's gain of 2.2 per cent. The market rumour was that major players, overbought in recent bullish sessions, were trying to push up prices before selling; analysts expected heavy profit-taking to emerge in coming sessions. Financials were major gainers, with ICBC soaring T$6, or 6.7 per cent to T$95.50 and China Development Corp up T$6.50 to T$137.

MANILA strengthened 26.3 to 3,006.7, flat on the week in volume of 4.99bn shares. Bargain hunters entered the market after the index dipped to 2,980.

KUALA LUMPUR shrugged off the overnight fall in Wall Street and returned strongly in the afternoon. The KLSE composite index closed at 1,140.70, up 4.36 to gain 2.8 per cent on the week as analysts suggested that market sentiment remained bullish. Sitt Tatt rose 65 cents to M$6.50 on a massive restructuring exercise.

SYDNEY saw a rally in golds as it ended the week 0.5 per cent up, with the All Ordinaries index 5.5 lower at 2,061.3.

The golds index rose 52.0 to 2,177.8 after bullion broke out of a two-week slumber to gain more than three cents overnight. Gold Mines of Kalgoorlie, which topped turnover among resource stocks with almost 11m shares exchanged, rose six cents to A$1.17.

WELLINGTON saw renewed buying in the afternoon to end lower on moderate turnover. The NZSE-40 index fell 6.65 to 2090.73, a rise of almost one per cent on the week.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

LONDON EQUITIES

LIFFE EQUITY OPTIONS

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	8	58	4	146	168	36
Other Fixed Interest	3	0	12	5	10	60
Mineral Extraction	50	56	93	303	249	447
General Manufacturers	118	119	410	647	575	2,007
Consumer Goods	44	26	117	268	125	542
Services	103	77	326	514	357	1,659
Utilities	31	3	11	130	45	50
Financials	42	119	207	451	381	1,008
Investment Trusts	33	151	283	605	292	1,438
Others	29	60	32	247	199	183
Totals	459	669	1,495	3,316	2,401	7,430

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	August 8	Expiry	November 10
Last Dealings	August 19	Settlement	November 24

Calls: Ald. Colloids, Aran Energy, Armour Trust, Emess, Enterprise Comp., Etam, Medeva, Mount Burgess, Minmet, Ovoca Res. Tullow Oil. Puts: Ald. Colloids, Ovoca Res. Puts & Calls: Medeva, UMECO

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	5.81	45	41½	Do Warrants	41½	-½	-	-	-	-
23	F.P.	10.6	31	29	Orbis	29		-	-	-	-
§90	F.P.	15.8	95	90	Panther	90		N2.78	-	3.9	-
-	F.P.	0.60	17	5½	Do. Warrants	17		-	-	-	-
-	F.P.	1.26	40	39	Petroceltic	40		-	-	-	-
150	F.P.	179.4	162	157	Piller Property Inv	158½	+½	LN3.7	-	2.9	-
-	F.P.	4.32	44	36	Suter Wrts 99/04	37	+1	-	-	-	-
100	F.P.	3.77	104	97	TR Euro Gth Ptg	104		-	-	-	-
-	F.P.	2.40	35	29	Tops Ests Wrts	30	-1	-	-	-	-
-	F.P.	54.7	49	34	VideoLogic	40		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
8	Nil	24/8	1½pm	1¼pm	BCE	1¼pm	
85	Nil	14/9	12pm	3pm	CRT	3pm	-1
340	Nil	23/9	47pm	41pm	Gibbs Mew	47pm	
15	Nil	22/8	4pm	¼pm	Hartstone	¼pm	
60	Nil	22/8	12pm	3pm	P & P	12pm	
1¼	Nil	-	¼pm	¼pm	Surrey Group	¼pm	

FT GOLD MINES INDEX

FINANCIAL TIMES EQUITY INDICES

	Aug 19	Aug 18	Aug 17	Aug 16	Aug 15	Yr ago	*High	*Low
Ordinary Share	2496.8	2490.4	2497.5	2474.5	2474.8	2384.1	2713.6	2240.6
Ord. div. yield	4.07	4.09	4.05	4.10	4.09	3.87	4.46	3.43
Earn. yld. % full	5.86	5.88	5.66	5.72	5.71	4.57	5.95	3.82
P/E ratio net	18.25	18.19	18.83	18.74	18.74	27.98	33.43	17.89
P/E ratio nil	18.85	18.79	19.55	19.35	19.35	25.82	30.80	18.61

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2482.6	2486.4	2491.4	2494.8	2492.5	2492.5	2495.5	2493.7	2496.8	2497.3	2481.5

	Aug 19	Aug 18	Aug 17	Aug 16	Aug 15	Yr ago
SEAQ bargains	29,689	30,449	31,965	25,500	28,885	33,843
Equity turnover (£m)†	-	1581.6	1632.9	1217.7	1145.4	1582.0
Equity bargains†	-	35,585	34,648	30,013	32,423	39,199
Shares traded (m)†	-	610.1	598.8	829.6	430.3	606.3

†Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£22¼	+⅛	£25⅛	£20⅛	6,770	5.0	ϕ
ANZ A$		188	—	278¼	179¼	2,835	4.8	39.6
Abbey National	†N	396xd	—	523	381	5,195	4.9	13.3
Allied Irish I£	‡†N	240xd	-5	314	234	1,681	5.3	8.2
Anglo Irish I£	‡N	58	—	70	50	199.6	7.4	10.8
Asahi Y		774	-18¼	819¼	628	17,981	0.6	ϕ
Banco Bil Viz Pta		£15⅛	+⅛	£16⅛	£14⅛	3,524	5.5	6.7
Banco Sant Pta		£28⅛	+⅛	£30½	£23⅛	3,967	5.5	9.2
Bk Ireland I£		263	-7	319	246	1,243	5.0	7.5
Bank Scotland	‡N	198	—	247	172½	2,287	3.2	10.0
9¼pc Pf		113¼	-¼	141½	113¼	113.2	10.2	–
9¾pc Pf		118½	-¼	148½	118½	118.5	10.3	–
Barclays	‡†N	564xd	+6½	640	487	9,176	3.7	17.4
Dai Ichi Kan Y		£11⅛	-⅛	£12⅛	£10⅛	37,351	0.5	–
Deutsche DM		£285⅛	-⅛	£344¼	£270⅛	14,058	2.3	–
Espirito Santo		£10	-⅛	£13⅛	£9⅛	214.1	3.9	–
First Nat Fin	N	69½xd	+½	90	60	117.3	2.7	5.0
6.3pc Cv Pf		77	—	90	77	5.18	10.2	–
7pc Cv Pf		125½	—	171	123	59.6	7.0	–
Fuji Bank Y		1505¼	-17	1649¼	1152½	43,608	0.4	ϕ
HSBC HK	†N	739	-1	1133	680	12,932	4.2	10.6
HSBC (75p Shs)	†N	720	-3	1113	680	6,120	4.3	10.3
Lloyds	†N	568xd	-1	650	519	7,117	5.2	10.8
Mitsubishi Y		£17⅛	—	£18⅛	£15⅛	48,203	0.3	ϕ
Mits Tst & Bk Y		1011¼	+1	1182¼	687½	12,123	0.5	15.5
Mitsui Tst & Bk Y		770¼	-20	875	514	9,234	0.7	25.1
Nat Aust A$	†	528	—	620¼	489¼	7,087	5.3	11.0
NatWest	†N	477xd	+2	622	421	7,942	5.1	8.9
Ottomane FFr		£21¼	—	£33	£21¼	108.8	6.7	ϕ
Rvl Bk Scotland	‡†N	405	+4	528	377½	3,240	3.7	18.3
Sakura Y		£9⅛	-⅛	£9⅛	£8⅛	30,330	0.6	54.7
Sanwa Y		£13⅛	-⅛	£15⅛	£11⅛	40,142	0.4	–
Standard Chartd.	†N	254	+1	389¼	223	2,440	3.2	8.6
7 3/8pc Prf		85½	-¼	108½	85¼	85.5	10.3	–
Sumitomo Y		£13⅛	-⅛	£16¼	£11½	40,984	0.4	26.9
Sumitomo Tst Y		944½	+16¼	1148½	625	11,748	0.6	ϕ
TSB	†N	213xd	+2	281	197	3,281	4.7	10.7
Tokai Y		[illegible]	[illegible]	[illegible]	[illegible]	17,784	0.7	53.0

CHEMICALS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's
AGA BKr		55½	-¼	£57⅛	£48	542.7	13.3
Akzo Fl		£81⅛	-⅛	£82⅛	£62⅛	3,761	3.0
Allied Colloids	N	135xd	+3	156½	115½	818.5	1.9
Amber Ind	N	760	—	760	705	28.7	3.3
BASF DM		£137⅛	+⅛	£157⅛	£108⅛	8,830	7.0
BOC	‡N	735	+5	787	627	3,527	3.9
BTP	‡N	318xd	—	373	287	427.7	3.9
Bayer DM		£154⅛	+1⅛	£159⅛	£129⅛	10,341	6.0
Brent	N	127	—	131	98	85.7	3.9
British Vita	N	276	—	309	233	595.7	3.4
Cambridge Iso $		18	—	25	18	2.35	–
Canning (W)	‡N	185	-1	198	153	55.2	4.7
Cassentone	‡N	82	-3	109	82	13.8	5.6
Warrants		23	-3	48	23	0.20	–
Courtaulds	N	536	—	590	467	2,186	3.4
Croda	N	383	—	394	327	505.6	2.7
Doeflex	‡N	109	+6	133	95	11.2	5.4
Engelhard $		£17⅛	-⅛	£20⅛	£14½	1,634	1.7
European Colour	‡N	58	—	58	35½	16.9	2.6
Gibbon Lyons	‡N	137xd	—	149	132	12.4	5.0
Hickson	‡N	176	—	223	180	313.1	5.7
Hoechst DM		£146⅛	+1⅛	£153⅛	£108⅛	8,808	5.1
Holliday Chemical		230xd	—	239	153¼	246.4	2.3
ICI	N	832xd	+12	868	728	6,015	4.1
Inspec		219	—	232	178	180.7	0.8
Kalon	‡†N	161½	—	191½	148½	218.2	3.4
Laporte	‡N	799	-1	843	704	1,530	3.2
MTM		79	+1	79	48	29.3	–
Manders	N	307	-1	405	332	141.7	3.5
McLeod Russel	N	118	—	127	100	71.4	6.5
Metrotect Inds	‡N	100	—	128	89	24.1	4.3
Perstorp SKr		£24⅛	+⅛	£32⅛	£22¼	121.8	1.6
Porvair	‡N	313	—	340	265	48.2	1.7
Scapa	‡N	219xd	—	272	186	518.8	3.4
Sutcliffe Speak	‡N	48	—	66	44	27.0	1.3
Wardle Storeys	N	393	+3	480	361	97.9	4.5
Wellington	W	200	—	220	200	47.3	3.2

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING, VEHICLES

ELECTRONIC & ELECTRICAL EQPT - Cont.

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's
TVX Gold ♥	352¼p	+¼	473½p	340¼p	657.4	-
Toronto-Dom.	9⅜	—	11⅞	9⅜	2,981	3.8
Trans Can Pipe ♥	7⅞	—	10⅝	7⅜	1,435	5.0

SOUTH AFRICANS

Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	227	—	£27½	£13½	1,760	2.7	19.7
Barlow Z	£4⅛	—	£5⅝	£3¼	898.1	0.7	-
Gold Flds Prop R	111	—	113	76	11.3	8.5	ϕ
MK Props. s	86	—	95	85	3.42	10.5	34.9
SASOL ♥	438	—	438	280	2,488	3.2	-
SA Brews	£12⅛	—	£15⅞	£10	3,483	2.2	20.4
Tiger Oats †	629	—	638	538	932.7	2.5	13.1
Tongaat-Hulett	663	—	*739¼	427½	503.5	2.3	18.5

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discount (Dis) or premium (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xR ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1255 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

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FINANCIAL TIMES
Weekend August 20/August 21 1994

Railtrack advisers urge labour relations shake-up

By Roland Rudd

The privatisation of Railtrack could be delayed indefinitely if the company fails to overhaul working practices and make big productivity improvements, according to government financial advisers.

The consultants believe the 10-week series of strikes by signalling staff has so damaged the company's image with potential investors that it would be impossible to sell before the next election without a big shake-up in labour relations.

Some of the advisers, who are City merchant bankers and accountants, are pressing ministers to introduce personal contracts as the clearest signal to the City that Railtrack's working practices have changed for the good.

The company, which owns Britain's rail network, would prefer to settle the industrial action without introducing personal contracts. But its directors increasingly favour offering the 4,500 signal staff individual contracts if the dispute is not settled by the end of the month.

Ministers had hoped to sell Railtrack for more than £3bn before the next election as the final act of railway privatisation.

The Department of Transport said yesterday: "The dispute has made no change to the government's plan for privatisation nor has it affected the privatisation programme." However, a senior Whitehall official said that since the timing of the sell-off had never been "formally announced", ministers could argue that their privatisation plans had not been affected by the dispute if it was postponed.

Most of Railtrack's revenue comes from track access charges paid by private rail companies for the right to run trains on the rail network. The access charges are set by Railtrack but need the rail regulator's approval.

Mr Frank Dobson, Labour's shadow transport secretary, said: "With the best working practices and industrial relations the owners of Railtrack would still not control fares or access charges – which is not how most people like to run their business."

According to figures released yesterday by Mr Dobson, British Rail and Railtrack are spending more than £27m on privatisation advice. The government has already paid out £19.9m to its consultants.

Mr Dobson said: "Railtrack alone is spending £16.5m on privatisation – three times the cost of settling the signalling dispute."

The original offer in June of 5.7 per cent, which was withdrawn because it would have breached the government's public sector pay constraints, would have cost £5m.

Another 24-hour strike of signal workers is due to start at noon on Monday and a further 48-hour strike was called by the RMT transport union immediately after the August bank holiday weekend. It will last from noon on August 30 to noon on September 1.

See Lex
Details, Page 6

Germany's plutonium smuggling saga turns into farce

By Christopher Parkes in Frankfurt

German police and secret service agents were falling over one another yesterday in the rush to deny they had been led up the garden path in their hunt for contraband plutonium.

The federal and Hamburg police both disowned a self-proclaimed undercover agent - a V-man in local jargon - collared earlier this week handing a faintly radioactive smoke detector component to a journalist who really only wanted a story.

The journalist, who tipped off the arresting officers, is also being grilled for his pains. Although the federal police admitted the arrested man had been signed up two years ago as a sort of official agent, his services had been called on only once since then.

The "agent's" lawyer stood by his client, accusing the authorities of using undercover agents to gauge supply and demand in Germany for illicit nuclear material. Official hints suggest agents are trying to infiltrate the underground market.

"Our security people know would-be Russian smugglers have been testing the European market for months," one said. "It is important to discover how potent the would-be sellers are."

One foreign observer said the real problem was a lack of coordination and inter-agency rivalry between the galaxy of law and security enforcement agencies involved.

"I would be astonished if they were actually co-ordinating anything," he said. Apart from federal and local police, the internal and external security agencies, frontier protection services and customs agents were also involved.

Meanwhile, Mr Bernd Schmidbauer, security adviser to Chancellor Helmut Kohl, flew to Moscow to address the real issue of preventing the theft of nuclear material from Russian plants.

Mr Schmidbauer was said in Bonn to have received "very constructive signals" from the Russian anti-espionage chief.

Further evidence of a constructive approach after a chaotic week marked by charge and counter-charge emerged from the Russian foreign secret service. "The plausibility of the theft of nuclear material applies in every country and it cannot be excluded here," a spokewoman said.

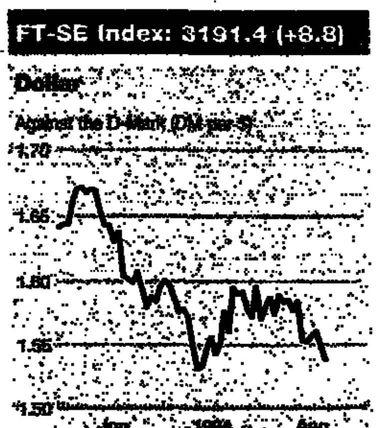
Back in Germany, broadcasters featured an interview with a Bulgarian who claimed the component seized in Bremen was really part of a poison gas detector from a factory under his control. The story continues.

From Russia with love, Page 8

THE LEX COLUMN

Dog days for the dollar

FT-SE Index: 3191.4 (+8.8)



It is bad luck for the US Federal Reserve that the warm glow of approval for its half-point rise in interest rates lasted less than a day. Survey data pointing to inflationary pressure in the US economy – and a slight worsening of the bilateral trade deficit with Japan – subsequently sent the dollar back below Y100 and DM1.55. Stock and bond markets fell in sympathy. But the authorities should not be surprised. The consistent message from the markets this year is that rising interest rates are only one ingredient in the recipe for a stronger dollar.

The Bundesbank's decision not to cut rates this week also suggests that interest rate differentials may not be as favourable as dollar bulls had hoped. The German central bank's tough line this week contrasts with lingering doubts about the willingness of the Fed to tackle inflation if its latest measures prove to be inadequate. Even if the Bundesbank cuts rates again this autumn, financial markets will herald the floor in German rates – which could again be bad news for the dollar.

This need not imply a currency crisis. The dollar closed the week a shade above the lows last month and higher interest rates may start to attract investors into short-dated dollar assets. But it is difficult to imagine overseas investors flooding into US stocks and bonds while the uncertain climate persists. With no sign of progress on trade and nagging worries about inflation – not to mention President Bill Clinton's renewed political difficulties – the dollar looks certain to remain vulnerable.

Railtrack

It is not strictly true that Railtrack's privatisation depends on the strike-ridden company making big productivity gains – much as that is what the government's highly paid financial advisers are telling it. Even less so is privatisation contingent on personal contracts being imposed on the signalling staff. In fact, prospective shareholders would be rather disappointed if the bulk of the efficiency improvements Railtrack is able to deliver came before privatisation. In other privatisations, the main staff cuts and changes in working practices have occurred after companies have been freed from state control. Not only are such changes easier to bring about once unions know they cannot hope to involve politicians in an industrial dispute. It is precisely the post-privatisation drive for efficiency that has proved so profitable for investors in the energy, water and telecommunications sectors.

That said, investors would clearly need to be confident that Railtrack's management was not so broken by the current strike that it was incapable of taking firm action after a share sale. If Mr Jimmy Knapp, the rail union leader, was able to claim a famous victory in the dispute, shareholders would indeed be unnerved. This point is not lost on Railtrack directors and helps explain the company's tough line. Ministers too have an interest in hanging tough. Privatisation receipts of around £3bn would make that pre-election tax cut just that much easier.

Lloyd's

Investors who put money into quoted Lloyd's of London funds last autumn must be disappointed with their performance. Most stand below the price at which they were floated. In addition to turbulent stock and bond markets, which have eroded the funds' asset values, underwriting rates have softened. Funds which initially traded at a premium to net assets in anticipation of underwriting profits have fallen to a discount. This year's crop of new Lloyd's companies is likely to be smaller – perhaps £200m to £400m will be raised. Even so, they will need to make a convincing case.

If Lloyd's keeps up its record of innovation, though, the new batch of companies will look different from the previous one. Rather than unit trust-style vehicles which invest in a wide range of syndicates, the new breed will provide capital for a single managing agency or even a single syndicate. Shareholders will be backing the skills of an agency and its underwriters, making the investment more akin to buying shares in a traditional insurance company.

Such vehicles will only be listed if the stock exchange waives its usual requirement for a three-year trading record. The exchange will have to consider whether companies with all their eggs in one basket at Lloyd's are too risky for the public market. But it is difficult to argue that single-syndicate funds would be more volatile than biotechnology companies, which recently won a similar exemption from the exchange. Investors confident of their ability to pick winners at Lloyd's should be given the opportunity to try.

UK construction

The last thing the nervous housing market needs is a rise in interest rates, so this week's unexpectedly good July inflation figures provided a little reassurance. There was scant cheer elsewhere. The 10 per cent drop in building societies' net new commitments compared with the previous month suggests the housing recovery has not merely stalled but is stuck in a ditch. Given that the economic background could scarcely be better it is hard to see what would dig it out, barring that illusive improvement in consumer confidence.

Housebuilders are being squeezed at both ends. Materials price rises are sticking. Meanwhile, stagnant new house prices will soon start to make life hard for those builders who stocked up their land banks in the expectation that prices would start to rise.

Having bid up the leading construction groups' shares last year on the basis of the housing recovery, investors are now focusing on their commercial and infrastructure sides. It is not a pretty picture. Although volumes are up, margins are thin with low interest rates reducing the cash-flow benefit of advance payments. BICC warned this week it could see little respite with any growth dependent on the long hoped-for flood of private sector infrastructure projects. The construction sector has underperformed the market by 20 per cent since its February peak. Given the downbeat comments which are likely to accompany the forthcoming reporting season it is hard to see it climbing out of the hole in a hurry.

Refugees

Continued from Page 1

uniforms of Cuban military officials, "Castro's men", who rafted across the strait and ended up in Mr Cobo's centre. Above the uniforms, a glass case houses three border patrol bullets dug out of Cuban refugees, who eventually landed safely in Florida.

Mr Cobo does not want to see those who flee "a Communist dictator" sent to detention camp. "Freedom. People looking for freedom are dying all along this stretch of Florida," he says. "We don't make immigration policy, but we don't want to see Cubans treated like Haitians."

At the centre, news of the policy reversal was greeted angrily. One Cuban American who left in the great Mariel exodus in 1980 says they are "fleeing their native country to be free, instead of making their lives worse".

By six o'clock yesterday morning, the centre was empty. The last of the refugees had been taken up to Miami on chartered tourist buses advertising pleasure cruises to the Bahamas. Miriam Villegas is today free in Miami. She said the address and telephone number of her brother, Joel Alvarez Bello, was washed away during the crossing.

What is the best thing about America? She looks towards her husband. He says nothing. A transit centre volunteer prompts them: "Libertad" (Freedom). "Yes, Libertad," they say.

Asian growth nations lead UK exports rise

By Gillian Tett, Economics Staff

Asia's "tiger" nations and Latin America are the fastest growing markets for British exporters, with much of the growth coming from the engineering and chemicals sector, according to official figures released yesterday.

The report, from the Central Statistical Office, also says Britain's trade position with non-European Union countries has gradually improved.

Excluding oil and other erratic items, exports to non-EU countries, which represent about 40 per cent of UK trade, rose by 3 per cent in the three months to July, compared with the three months to April. Imports fell by 0.5 per cent in this period, gradually reducing the UK trade deficit.

Although there was a rise in Britain's exports to most regions of the world, the fastest growth occurred in goods sent to the Asian "tigers", Japan and Latin American countries.

Exports to the newly industrialised Asian countries of Taiwan, Hong Kong, Malaysia, Singapore, South Korea and Thailand were 25 per cent higher in the three months to July compared with the same period a year ago.

Exports to Latin America were 30 per cent higher in the three months to July compared with the same period a year ago, and 15 per cent higher than in the three months to April.

The CSO said that the growth was occurring from a relatively low base. Total UK exports to the Asian "tigers" were about £650m last month, while exports to Latin America were about £200m. By contrast, exports to North America were £1.55bn in the three months to July, 5 per cent higher than in the previous three months.

But with most of the growth in the emerging markets coming from engineering, chemicals and pharmaceutical sectors, UK trade groups called on British companies to step up their efforts to exploit the export potential, not least because they enjoy an advantage over other European rivals given sterling's weakness against the D-Mark.

Mr Robin Eader, deputy director general of the Institute of Export, said: "The potential for export growth in Singapore, Hong Kong and Taiwan is enormous – Glaxo is out there, ICI – all the big UK companies."

Trade position signals strengthening economy, Page 7

CyberCouple to tie the knot virtually

Continued from Page 1

do not interfere. It is safe to predict that virtual honeymoons are not going to be a big seller.

There is also the little matter of cost. A replay of today's ceremony could be arranged for a moderate fee, Ms Rosewall said. But producing an original virtual wedding in your own fantasy setting would require several weeks of software development work – and might cost $50,000-$100,000 (£32,250-£64,500). Digital Equipment provided high-performance workstations for the CyberWedding and San Francisco software designers at Visions of Reality, built the virtual reality environment of Atlantis.

FT WEATHER GUIDE

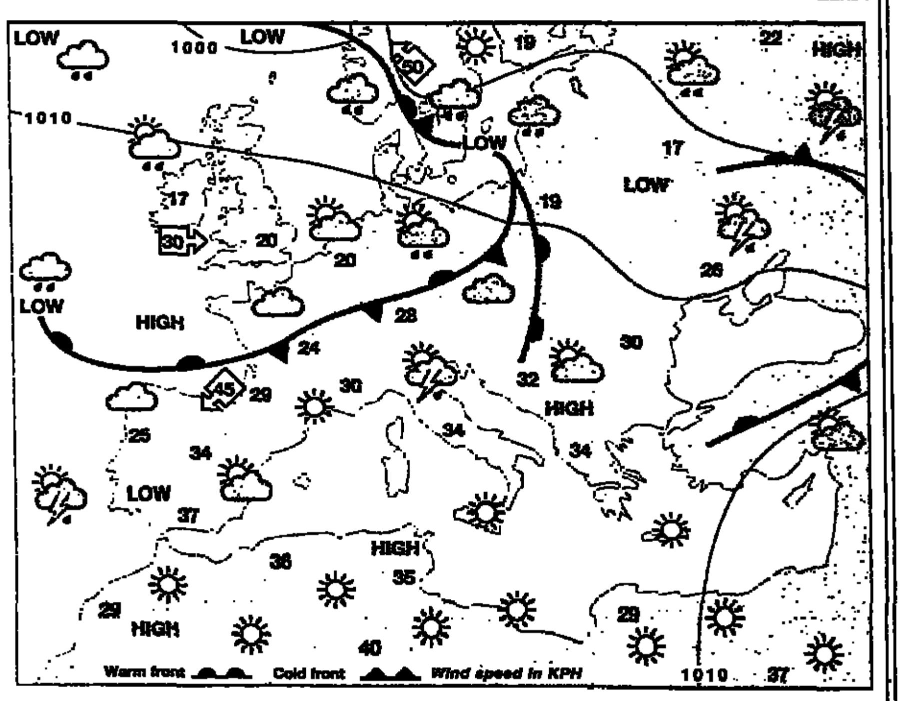
Europe today

A persistent cold front will bring overcast skies and heavy rain to southern Norway and central Sweden. Poland and Slovakia can also expect some rain. Westerly winds will bring cool, moist air into Ireland, Great Britain, the Low Countries, Germany and northern France. There will be some showers in north-western Ireland and western Scotland.

A ridge of high pressure over the southern half of France, Spain, Portugal and Italy will keep temperatures hot. A low will develop over Portugal and Spain which may lead to a thunderstorm, and winds will be strong on the northern seaboard of Spain. Thunder is also possible in north-eastern Italy.

Five-day forecast

An area of high pressure will bring fair weather to France, the Channel and Germany, reaching southern Scandinavia by Monday. A low will develop over Spain and southern France which will feed warm air into France. Temperatures will rise to 33 degrees. On Monday, thunderstorms are expected in France, Belgium and the Netherlands. Thunder is expected over Germany on Tuesday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

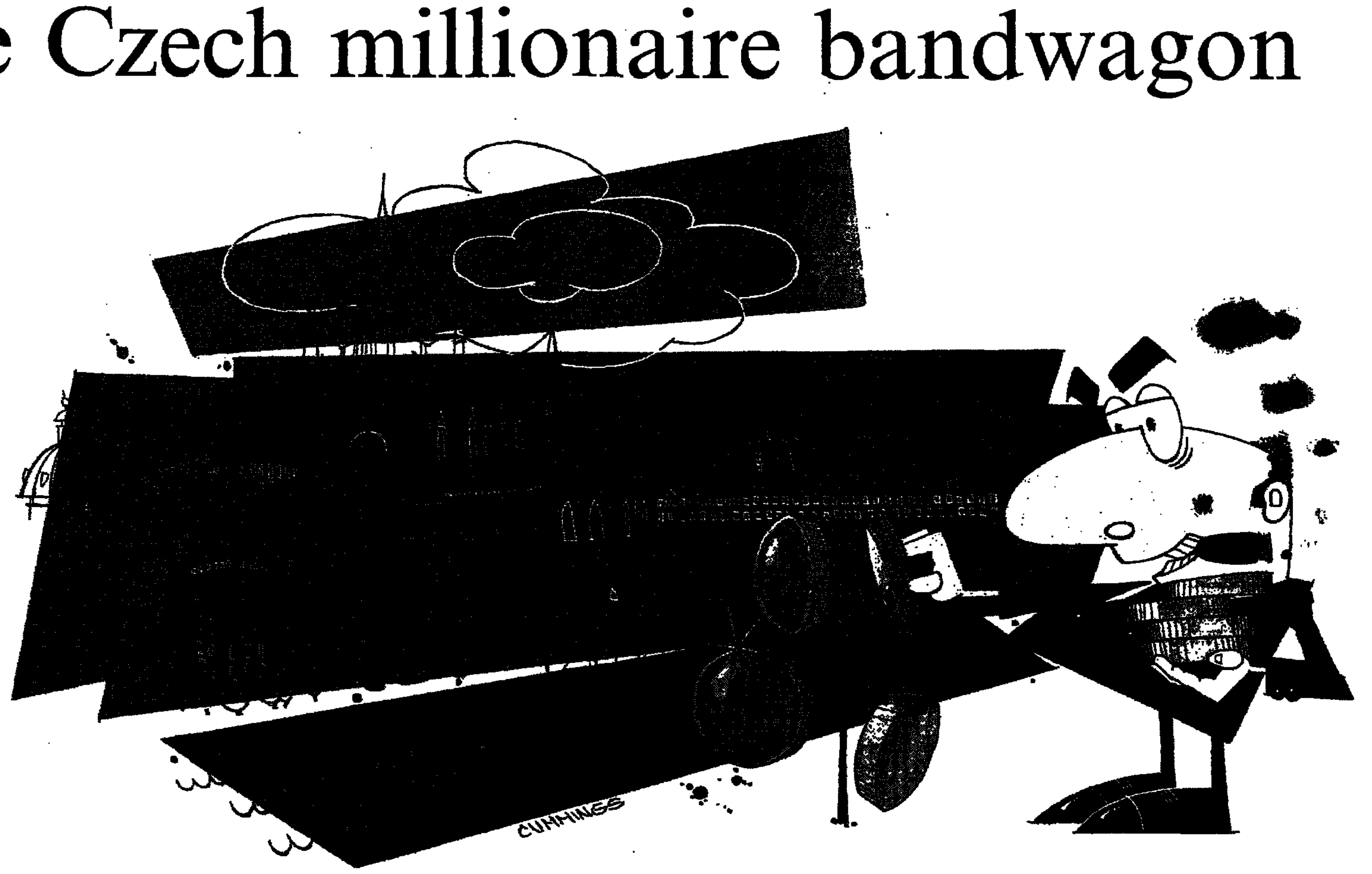
		Maximum	Beijing	fair	31	Caracas	fair	26	Faro	sun	29	Madrid	sun	36	Rangoon	cloudy	29
		Celsius	Belfast	shower	18	Cardiff	cloudy	18	Frankfurt	fair	24	Majorca	sun	33	Reykjavik	shower	12
Abu Dhabi	sun	41	Belgrade	fair	30	Casablanca	sun	28	Geneva	fair	26	Malta	sun	32	Rio	fair	21
Accra	shower	28	Berlin	fair	21	Chicago	shower	26	Gibraltar	sun	28	Manchester	cloudy	17	Rome	sun	31
Algiers	sun	33	Bermuda	fair	30	Cologne	fair	21	Glasgow	shower	18	Manila	fair	34	S. Frsco	fair	24
Amsterdam	cloudy	19	Bogota	windy	16	Dakar	thund	31	Hamburg	cloudy	20	Melbourne	fair	14	Seoul	fair	31
Athens	sun	32	Bombay	rain	31	Dallas	thund	36	Helsinki	cloudy	18	Mexico City	cloudy	23	Singapore	thund	31
Atlanta	sun	33	Brussels	cloudy	19	Delhi	shower	31	Hong Kong	fair	30	Miami	fair	32	Stockholm	rain	17
B. Aires	shower	10	Budapest	fair	25	Dubai	sun	42	Honolulu	fair	33	Milan	sun	31	Strasbourg	cloudy	23
B.ham	cloudy	19	C.hagen	cloudy	19	Dublin	cloudy	18	Istanbul	sun	28	Montreal	fair	27	Sydney	shower	16
Bangkok	fair	33	Cairo	sun	35	Dubrovnik	sun	30	Jakarta	fair	32	Moscow	rain	17	Tangier	sun	31
Barcelona	fair	29	Cape Town	shower	17	Edinburgh	cloudy	19	Jersey	cloudy	19	Munich	fair	24	Tel Aviv	sun	33
									Karachi	fair	33	Nairobi	fair	23	Tokyo	thund	33
									Kuwait	sun	41	Naples	sun	31	Toronto	fair	29
									L. Angeles	fair	29	Nassau	fair	33	Vancouver	shower	20
									Las Palmas	sun	27	New York	fair	32	Venice	thund	29
									Lima	cloudy	19	Nice	sun	28	Vienna	fair	28
									Lisbon	sun	30	Nicosia	sun	35	Warsaw	cloudy	20
									London	fair	21	Oslo	rain	15	Washington	fair	33
									Lux.bourg	cloudy	19	Paris	cloudy	20	Wellington	cloudy	10
									Lyon	fair	26	Perth	cloudy	23	Winnipeg	sun	26
									Madeira	fair	26	Prague	fair	23	Zurich	fair	23

Weekend FT

SECTION II Weekend August 20/August 21 1994

The Czech millionaire bandwagon

Emotionally and culturally ravaged, a repressed country is regaining its self-confidence, says ***Anthony Robinson***



The police were waiting to arrest Michal Horacek at Prague airport when he came back from his first trip to America in 1974.

Now one of the Czech Republic's fast-growing club of millionaire-entrepreneurs, he had refused to join the communist youth movement and had forged the movement's stamp, one of many bureaucratic hurdles which had to be circumvented before gaining his coveted exit visa.

Fifteen years later, in 1989, Horacek, a song writer, who for years doubled as a part-time horse racing correspondent, together with Michal Kocab, his pop-star brother-in-law, found himself in negotiations with Ladislaw Adamec, the last communist-era prime minister.

It was the eve of what turned out to be the "velvet revolution". The communist leader, rattled by the domino-like collapse of other communist regimes, had called on Horacek as the founder of the little-known organisation *most* – the Czech word for bridge.

"Dissidents could not talk to the government and the government could not talk to the dissidents. So Kocab and I decided to form *most*. At the time both of us enjoyed a sort of cult status thanks to our bitter-sweet songs and a wildly popular column called 'letters of love and hate' in the magazine *Mlady Svet* (Young World)," Horacek recalls.

"Suddenly the government found itself isolated and desperately needed to find a 'bridge' to the people. In desperation they called on us," he says.

"The most unforgettable moment in my life took place a few days later when I appealed to a vast crowd in Wenceslas Square to forgive the secret police. After a silence, voices started chanting back 'we forgive you' and the crowd took it up. Many people now say we did the wrong thing. But the police were armed, anything could have happened and suddenly what could have been a vicious circle of recrimination and violence was broken."

Five years later Horacek, sits in a spartanly furnished office on the top floor of a grim, Soviet-era hotel block in an unfashionable Prague suburb. He is plotting the future growth and direction of one of the post-communist Czech republic's fastest-growing private companies, a betting company felicitously named Fortuna.

"I started the company in March 1990 as Czechoslovakia's first private, joint stock company. We are the local bookmakers who allow ordinary people to place a bet on anything." Fortuna, which operates in more than 70 towns and villages around the country, replaced the tired state-run lotteries. "We became an immediate, incredible success across the country," he says. After four years of rapid growth the company is "highly profitable", employs 440 people and will turn over an expected $40m this year, he adds.

"All new entrepreneurs in this part of the world have had to learn everything from scratch. Four years ago I went to the World Bank and they gave me a comic book to explain the basic principles of a capitalist economy," he recalls. "We started off in a maelstrom of changing laws, many of them retroactive. But it is at times like these that fortunes are made, and it is wonderful to be in the midst of it all."

Giving people what they want, after 50 years of a centrally planned economy devoted to steel, heavy engineering and guns, is an essential element in the emergence of a new breed of entrepreneurial business men and women who are transforming the Czech economy at breakneck speed – and making fortunes in the process.

Many are close friends steeped in the free-thinking, Bohemian traditions of this quintessential middle-European country which neither Soviet tanks nor the plodding, unimaginative communists they kept in power were ever quite able to suppress.

Lubomir Kratochvil, another entrepreneur, used to write the music for Michal Horacek's lyrics. Vladimir Dlouhy, then a card-carrying communist party member and now minister of industry, played bass in their band, Jazz Q.

A couple of years ago Kratochvil founded the Golem Club, Prague's exclusive club for millionaires which meets in the cellar of a former medieval monastery in the heart of historic Prague. He whizzes around in a soft-top sports car, and presents a business card which includes the telephone number of his private aircraft and helicopter.

Clearly he is having a ball as the prime mover behind Bonton, a fast-growing music and media group, at least partly inspired by the example of Richard Branson, whom he recalls meeting in London in the late 1960s when Branson was setting up Virgin Records. Bonton is currently raising $15m through a private placement organised by CS First Boston.

The fact that Prague, the centre of Czech political, cultural and economic life, is a small town gives a special flavour to the Czech economic revival which has been master-minded by its spiky, self-confessed "Thatcherite" prime minister, Vaclav Klaus.

Today, Klaus dresses in smart suits, is an habitué of the international conference circuit, noted for his sharp tongue and inability to suffer fools gladly. It was different five years ago. He then emerged from 20 years of obscurity in the central bank and other institutions, devouring western economic literature as the man with the clearest idea of where the Czechoslovak economy should go.

"Klaus came and offered his services as an economist. He was there, he was intelligent and he was against chaos. It was vital for us not to be seen as just a bunch of dreamers and philosophers. He was modest, used to drive a Trabant and seemed to know what he was talking about," Horacek remembers.

Now, like other leading entrepreneurs, Horacek is unstinting in his praise. "Without Klaus we would have gone through a very painful and difficult transition. He has shown what a difference one man can make."

As Klaus, initially the finance minister, enters his third year as *the country's premier there are* growing signs of economic nationalism accompanying the self-confidence which is returning after the end of 50 years of foreign occupation.

It is reflected in the desire of the Czech republic's smartest and most talented people to recreate, by themselves as far as possible, the wealth and style which made the inter-war Czechoslovak republic richer and more culturally dynamic than Switzerland, and technically *on a par with Germany*.

The task of catching up, after 60 lost years under Nazi and Soviet

Continued on Page IX

CONTENTS

Long View/**John Plender**

So where's the binge?

For those who devote serious bathtime to pondering the means by which Kenneth Clarke will live up to the great inflationary tradition of Maudling, Barber and Lawson, recent economic data make for an exceptionally slow start to the day.

The housing market, a familiar source of trouble, remains unusually groggy. Monetary aggregates are peculiarly well behaved. The consumer's idea of living dangerously is to splash out on a pair of shoes and spend more on very competitively-priced food in the supermarket. The big question about British economic policy is not where's the beef, but where's the binge.

While the chancellor and Eddie George, his opposite number in Threadneedle Street, are agreed that interest rates will have to rise sooner or later, the economic news conspires to deprive the Governor of the chance to demonstrate his macho monetary credentials.

This is no doubt frustrating for an unelected central banker who has unexpectedly been granted a greater say in monetary policy by an elected politician. Yet for the rest of us the message should be to lie back and enjoy an increasingly well-balanced, non-inflationary recovery.

But that, of course, is an unwelcome message, however seasonal, for the masochistic British. So for the benefit of domestic readers, and with apologies to the international brigade who lost their appetite for gilts so long ago as February, this column will live up to its title and look beyond the present benign conjuncture. Where is the next inflationary threat going to come from?

The first point on which to be clear is that there certainly will be another bout of inflation. In the absence of a gold standard or any other anchor for monetary policy, the question is simply how and when. But without a much bigger commodity price shock than the world has seen this year, or a huge monetary disturbance of the kind that followed the collapse of the Bretton Woods fixed exchange rate system in the early 1970s, the threat is local, not global. It hinges on the competence of individual governments.

Here, then, is the first clue. The Treasury is now forecasting growth in demand at a comfortably reassuring level of three per cent. Never forget that in 1988, when GDP growth soared to unsustainable heights, the Treasury had been forecasting a slow-down which provided the basis for a give-away budget.

What that tells us is that Treasury forecasters have as much difficulty as the rest of us in grasping how the economy works. And one of the perennial questions about the entrails of the economy is just how much spare capacity exists to cope with a surge in demand beyond Treasury expectations.

No one really knows the answer. So one plausible inflationary scenario might start with the gap between actual and potential output turning out to be narrower than the Treasury economists think. On the elimination of the gap, inflationary bottlenecks would loom because of a shortage of domestic supply.

The problem would then be compounded if the chancellor's tax-cutting instincts were encouraged by over-optimistic assumptions about the shrinkage of the structural component of the budget deficit – the deficit that remains when the economy returns to its sustainable trend level of output.

It is at this point that the markets' version of Murphy's law could reliably be expected to intervene. What worries those involved in international capital is default risk: the fear that governments will lose control of their budget deficits and resort to inflationary financing via the banking system while the currency is allowed to collapse.

That is partly why the lira was under pressure last week and why the Italian authorities raised interest rates in spite of minimal inflationary pressure in the domestic economy. It also explains why Swedish bond prices have been so weak and why, in part, Sweden raised rates too. The public finances of both countries are in a mess. Markets are understandably worried about the politicians' will to confront their problems.

Britain is not in a comparably messy fiscal position. Clarke surprised everyone with his readiness last November to grasp fiscal nettles both this year and next. Yet, with medium-dated gilts yielding more than nine per cent and sterling drifting against the D-Mark, there is clearly a problem of credibility. That was the message in the markets' entirely perverse response to good news on inflation this week. They punished the currency for no better reason than that a test of the chancellor's readiness to raise interest rates was deferred a little longer.

Weaker sterling today may not matter because – even on the most pessimistic assumptions – the output gap is some way from closing. In the absence of constraints on supply the impact of higher import prices on the domestic price level is thus unlikely to be great. If anything the effect would be helpful since it would encourage a bias towards export-led rather than consumption-led *growth. But later, in the midst of* a pre-electoral boomlet, devaluation would be another matter.

When markets are in punitive mood, their prophecies tend to be self-fulfilling. Just as today's penal real interest rates in Sweden and Italy will drive these countries into default unless they can find a way of providing fiscal reassurance to investors, a sterling plunge could become self-feeding as the inflationary consequences worsened with each downward lurch. Back, in fact, to Lord Barber and the dog days of 1974.

It need not happen; nor should it. The bond markets are over-reacting to Clarke, who shows every sign of being an underrated chancellor, with the potential to break moulds as well as to grasp nettles. On the record so far, his pre-electoral tax cuts will be within the bounds – well, just – of market acceptability. The risk Clarke runs is political, not economic. His reward for good economic behaviour may well be to deliver a supremely healthy economy to Labour's Tony Blair.

MARKETS

London

Inflation falls, analysts seek other worries

Paul Taylor

Positive domestic economic news, including an unexpected fall in underlying UK inflation to its lowest level for 27 years, helped the FTSE-100 climb 43 points on Wednesday and pierce 3,200 briefly on Thursday.

The US Federal Reserve's decision to increase its key discount rate by half a percentage point to 4 per cent late on Tuesday also helped calm market anxieties over nascent inflationary pressures across the Atlantic.

Subsequent US economic data was less encouraging and the UK market faltered after Wall Street opened lower on Thursday, but the FTSE-100 rallied on Friday to close the week 49.1 points higher at 3,191.4.

The Fed's move, coupled with the decision by the Bundesbank on Thursday to leave the German interest rates unchanged, will add to the pressure on other countries to react quickly and decisively should signs of renewed inflationary pressure emerge.

Market expectations about European interest rates were thrown into turmoil the previous week by the unforeseen rise in rates by Italy and Sweden. The absence of a German rate cut has therefore made it increasingly likely that the interest rate reduction process in continental Europe is at, or very close to, an end.

"The lack of easing by the German authorities has left the continental European equity markets vulnerable," notes Kleinwort Benson. NatWest Securities agrees that continental European markets have reached: "a significant risk point as the primary engine for the continental European markets shifts from being led by interest rate reductions to being driven by the prospects for earnings and dividends."

Market optimists argue that the UK has crossed this Rubicon and should now be driven by the continued recovery of corporate profits but some analysts argue that London is locked into the same interest rate bind as Wall Street.

With anxieties about domestic inflation allayed but not yet dismissed, some argue the best news for equities would be a pre-emptive intererst rate strike. "For equities to be able to make significant further ground in the short term we need to see a decline in long gilt yields," says Charterhouse Tilney Securities.

"Ironically the best news for the gilts market would be a rise in base rates, a move which would provide confirmation that the Treasury intends to be pro-active in terms of its counter-inflation policy."

Such a strategy entails its own risks, particularly when weak money supply and retail sales data continue to indicate the fragility of the UK economic recovery. As a result, not even the most bearish forecasters are suggesting that UK base rates are heading back into double figures.

NatWest Securities argues accordingly that retail investors will have to get used to a much lower return on cash deposits than the 10.5 per cent average they have enjoyed over the past decade.

One effect of low deposit rates is that unit trust sales have held up in spite of the weak market since the start of February. NatWest expects net unit trust trust sales of £11bn this year with perhaps £2bn of this directed towards UK equity income funds.

Since UK equity income trusts are restricted to investment in companies with a yield at least 10 per cent higher than the FT-SE-A All Share index, NatWest Securities argues that strong flows into income funds will restrict the yield divergence between sectors.

Indeed, as the chart shows, as short and long term interest rates fell through 1993, so the yield spread between different sectors, based on year two yield forecasts, narrowed.

Then, as gilt yields bounced back towards 9 per cent after February, the sector yield spread widened as high yielding sectors tended to underperform. More recently, as gilts found a bottom, the rebound in the equity market has been led by some of the highest yielding sectors including utilities, pharmaceuticals and selected financials.

This was the case again last week as the sparsity of results forced a relatively quiet market to focus on other issues.

On Monday the markets were given a timely reminder of the dangers in interest rate forecasting as HSBC Holdings, the international banking group and last of the UK banks to report, revealled that it had largely abandoned bond trading on its own account after losing £123m on bond and interest rate-related trading during a turbulent first half.

The news overshadowed a 24 per cent rise in pre-tax profits to £1.46bn, aided by a sharp fall in bad debt provisions. The interim dividend was raised by 14 per cent to 8p, but that was insufficient to head-off a decline in the group's share price which closed 39p lower on the week at 720p.

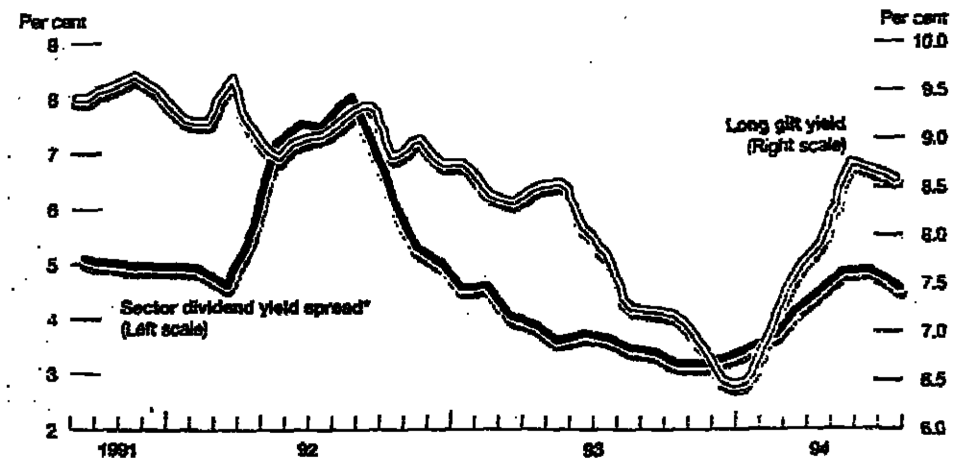
On Tuesday, Hanson, the Anglo-US conglomerate, reported a 10 per cent increase in third-quarter pre-tax profits which came in at £282m, towards the lower end of analysts's expectations.

The results showed the benefits of the $3.4bn Quantum Chemical acquisition last autumn, as the US-based polyethylene and propane group contributed £46m to profits on sales of £344m. Hanson's shares closed the week 8¾ lower at 256½p.

Hanson also figured in one of the wilder market rumours of week: that GEC might be a potential target for one of the big conglomerates such as BTR or Hanson. Most analysts dismissed the rumour asserting that GEC was much more likely to emerge as a predator than a target.

Meanwhile BICC, the UK cables and construction group, announced a 26 per cent increase in interim pre-tax profits from a restated £50m to £63m. The group also said it is planning to treble its cable sales in the fast growing Asia Pacific by the end of the decade. BICC closed the week 18p lower at 400p.

Sector yield spread



Source: NatWest Securities

*Based on year two forecasts

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1994 High	1994 Low	
FT-SE 100 Index	3191.4	+49.1	3520.3	2876.6	Excellent economic news
Albert Fisher	45	-6	74	44	Brokers downgrade
Brit. Aerospace	503	+13	584	390	Rumours of merger talks with GEC
Cable & Wireless	467½	+35½	543	394	BZW/Hoare Govett positive
Cowie Group	250	-10	348	249	Aug. car sales less than expected
Eastern Elect.	809½	+46½	812	566	Brokers positive on Recs
Glaxo	636	+13	725	520	Rumour of big US purchase
Greenalls	453	+18	511	399	Strong regional brewers
HSBC	739	-33	1133	680	Dealing profits slump
ICI	832	-13	868	728	Brokers downgrade
Thorn EMI	1062	+32	1165	979	Results Tuesday
Unilever	1129	+32	1247	958	Good results
Vodafone	205	+18	212	157½	US buying
Wellcome	703	+24	731	498	Bid speculation
Whitbread	576	+24	617	494	Switching from Bass

Serious Money

Salaries, yes – but what about service?

Scheherazade Daneshkhu

The easiest and quickest job offer I ever got was from a company called something like FARDA Financial Services. The man in charge wore a black and white dogtooth suit, a chunky gold name bracelet, and rings.

It was not a demanding interview. He did most of the talking, all the while standing energetically over me, but little of what he conveyed was about the work itself.

"See that woman over there," he said, as a figure brushed past. "She's been with us just four months and she owns a Porsche already. And that man there has paid off his mortgage this month." The "staff" were glued to their telephones and the open plan office buzzed with all the industry of bees in a hive.

Advising people on financial products did not seem an unskilled task but the man reassured me that, in fact, it was very easy and the company would give all of a week's training. What about the wonderful salaries? "We don't pay a salary; everyone here is self-employed – it's much better for tax reasons."

It was my introduction to the world of financial services and commission-selling. I did not enter it.

Admittedly, this company was at one end of the commission-driven sales scale but there are many, particularly tied agents – authorised to sell the products of only one company – who earn a living by pushing to sell and whose work has little to do with providing a financial "service" or even "advice". That is why the recent move towards salaries in place of commission is worth a cautious welcome.

This week, Sun Life joined the small but growing band of companies, including Norwich Union and Barclays Life, switching to salaries. The shift is, in part, a reaction to commission disclosure – which comes into force in January – but also in response to growing criticism of selling by commission.

The July edition of *Money Management*, an FT publication, quoted Sir Bryan Carsberg, director-general of the Office of Fair Trading, as saying: "Disclosure should alert consumers to the salesman's incentive to complete a sale and to the potential bias which might result from the variations in commissions available."

He went on to cite how the sale of a unitised with-profit bond would earn the salesman 5 per cent commission and a unit trust 3 per cent – but a Tessa (tax-exempt special savings account) would result in none. Small wonder that many commission-based advisers prefer to sell with-profit bonds rather than Tessas.

Given the degree to which the financial services industry is wedded to commission, however, it will not be easy to divorce them. So, it is difficult not to be sceptical about the introduction of salaries while the commission incentive remains, or when bonuses are linked to sales performance.

The Prudential offers a basic salary of only £2,000 to £4,000 – scarcely a whole-hearted embrace of the salary structure. Norwich Union says it is paying its agents selling life and pension policies a more realistic basic annual salary of £12,000 as well as commission.

At Knight Williams, an independent financial adviser, staff could be forgiven for feeling bemused. They have been through virtually all the remunerative permutations available. At one time, they received greater commission for selling Knight Williams' products than those from outside; this differential was removed last year after unfavourable press comment.

In March, KW said it had moved the staff to minimum annual salaries of £15,000 in conjunction with annual bonuses. This month, though, it cut salaries by 10 per cent pending the outcome of a public argument with a band of disgruntled KW investors.

The same scepticism about changes in remuneration also applies to those independent advisers contemplating a move to fees instead of commission. IFAs are independent only to the degree that they are not limited to selling the products of a single company.

The cultural divide between fees and commission is great, and the risk is that some IFAs may under-estimate its span to the detriment of consumers' interests. Instead of selling products, they need to think in terms of selling advice, even if that means charging some clients money for advising them to do nothing.

"It is not enough just to think of switching from commission to fees," said David Norton, chairman of the Institute of Financial Planning, who identifies impartiality as the key to the fee-based culture.

"In order to charge fees, you have to get the advice right and add value. People will not be prepared to pay a fee for what is simply prescribing a product."

David Harris, of fee-based adviser Chantrey Financial Services, says that he is concerned that some commission-based advisors will simply calculate what they would have earned in commission and send the client a bill for the amount as a fee.

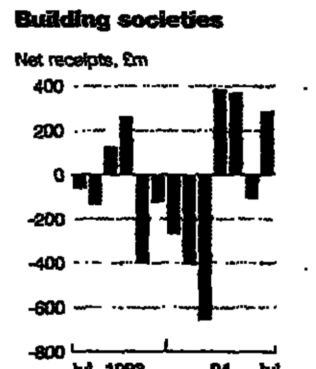
Instead, he adds, "we should be striving to be seen in the same light as professional advisers such as solicitors and accountants" by using a computerised time management system and giving a worthwhile service.

When that makes getting a job at companies like FARDA Financial Services much harder in the future, then the new system will look as if it is beginning to work.

AT A GLANCE

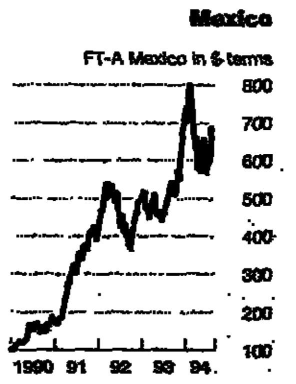
Finance and the Family Index

Building societies



Source: Building Societies Association

Mexico



Source: FT Graphite

Building societies' figures reflect mixed picture

Savings inflows into building societies continued their yo-yo pattern last month, with net receipts of £286m after net withdrawals of £104m in June, according to figures from the Building Societies Association. Adrian Coles, BSA director-general, said it was not clear that inflows will continue given the strength of competition in the retail savings market. Societies' lending figures reflected a mixed picture and Coles said it was too early to claim a sustained recovery is underway here. New net lending rose to £1.16bn in July, a slight increase on June's £1.15bn but up by a more significant 14 per cent on July last year. However net new commitments, which are for loans agreed but not yet made, fell to £3.22bn down 10 per cent on June's figure.

Mexico market expectations

Mexico's financial markets are expected to show a muted reaction next week if the country's ruling Institutional Revolutionary Party (PRI) led by Ernesto Zedillo, wins Sunday's presidential election.

A PRI victory has already been factored into the recent rally in equities. Since the end of July the IPC index of the 37 most traded stocks has risen by almost 20 per cent, and the market has recovered all of its local currency losses due to pre-election nerves earlier in the year. However, it still remains among the weakest performing Latin American bourses in dollar terms over the same period.

C&G action groups grow

Action groups are growing among Cheltenham & Gloucester building society members unhappy with the board's plans for accepting Lloyds Bank £1.8bn cash offer for the society. First there was the C&G alternatives group, headed by Paul Rivlin and Peter Nicholson, which plans to call a special meeting to discuss the society's future. Now James Edwards, of Cobham, in Kent, has written to *The Times* proposing to set up a C&G borrowers' action group. Borrowers have been excluded from cash payments under the recent high court ruling. Page VI

Smaller companies creep up

Smaller company shares crept upwards this week. The Hoare Govett Smaller Companies Index (capital gains version) rose 0.5 per cent to 1699.05 over the week to August 18.

Next week's family finance pages

As students prepare for their first year at university, one of their biggest worries is often how to cope with money. Next week we will provide a guide to all aspects of student finance.

Wall Street

Fed tickles stock market behind the ears

After the Federal Reserve tightened monetary policy on Tuesday by raising two key interest rates, the financial markets rallied strongly. Bonds shot higher, and stocks soon followed, buoyed by optimism about the outlook for inflation. Wednesday was a day of consolidation, with share and bond prices mostly holding their own as investors digested the implications of the Fed's move. The implications, it was generally agreed, were positive.

By Thursday, however, the mood had changed abruptly. The spectre of inflation reappeared, sending bonds into a nosedive. By the end of the day they had lost most of the ground gained two days before, and the stock market, following the bond market like a slobbering puppy on a leash, recorded similar losses. The developments illustrated how vulnerable the markets are, and how uneasy investors feel about the future.

On the surface, the culprit behind this week's turnaround in sentiment was the Philadelphia Federal Reserve's report showing worrying rises in manufacturing prices throughout its region. The news set the inflation alarm bells ringing in the bond market, and forced traders and investors to reevaluate their judgment – made on Tuesday – that the five interest rate increases engineered by the Fed this year would be enough to keep inflation low for the foreseeable future.

It seemed a rational judgment at the time. As expected, the Fed had tightened policy after its open market committee met on Tuesday morning. What was slightly unexpected was the vigorous nature of the move: an increase in the federal funds rate (the interest rate banks charge each other on overnight loans) from 4.25 per cent to 4.75 per cent, and an increase in the more important discount rate (the interest rate the Fed charges on loans to banks and other depositary institutions) from 3.5 per cent to 4 per cent.

The markets had been looking for a 25-basis point increase in the two rates, but instead of reacting gloomily to the move, investors rushed to buy bonds in the belief that the Fed's action proved its determination to snuff out inflationary pressures in the economy. The hope on Tuesday was that the rate rises would be the last for some time, and that they would lay the foundation for a sustainable rebound in bond prices.

The stock market felt in much the same way, at least at first – the Dow jumped 24 points after the Fed's tightening as equity investors looked forward to a relatively prolonged period of interest rate stability. After all, the problem that had been troubling stocks throughout the spring and summer was uncertainty about the immediate outlook for monetary policy. The Fed's decisive action appeared to remove that uncertainty.

Within two days, however, those views had altered, and quite radically. Yet, while the bond market was worrying primarily about inflation in the wake of the Philadelphia Fed's data, the stock market was troubled by a more disturbing thought – that the tightening of monetary policy this year will not only slow down the economy, but also slow down (and possibly quite significantly) the rate of corporate earnings growth.

The sharp sell-off in cyclical and car manufacturers' stocks on Thursday was clear evidence of this concern. Caterpillar and Boeing, and the big three car stocks of General Motors, Ford and Chrysler all tumbled because these companies' earnings are tied closely to the ups and downs of the economy. The selling showed that investors were looking ahead and seeing nothing but clouds on the horizon. As Richard Cripps, an analyst at the broking house Legg Mason, put it: "Their stocks peak about a year and a half before earnings do. People now are looking over the mountain."

If Cripps is right, then the stock market could be in for an unpleasant period ahead.

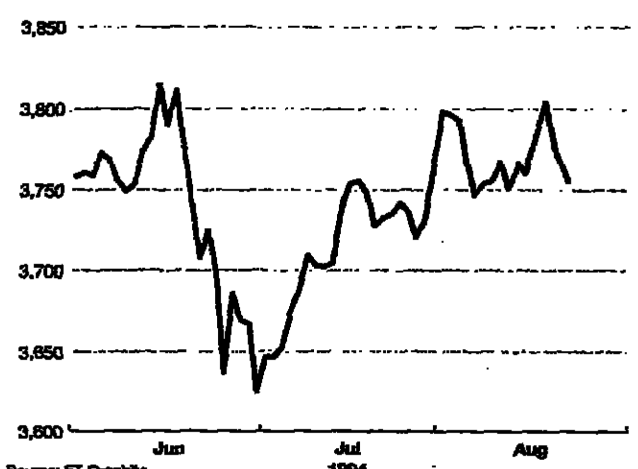
Amid all the worry about inflation and interest rates, the one thing that has propped up stock prices in the past few months has been the robust and sustained growth of corporate earnings. Now, Wall Street fears that the Fed's aggressive tightening of policy will to remove that prop from under the market.

And as if this were not enough for the markets to fret about, the troubles of the dollar returned this week. On Thursday, talk by US and Japanese trade negotiators knocked the dollar-yen rate down from Y100.21 to Y98.37, a decline which contributed to the bond market's own slide that day. Stock market investors seemed to ignore it, but if the US currency's woes do not end soon, they may not be able to ignore it for long. As a difficult summer for the markets draws to a close, a difficult autumn looms.

Patrick Harverson

Monday	3760.29 – 08.42
Tuesday	3784.57 + 24.28
Wednesday	3776.48 – 08.09
Thursday	3755.43 – 21.05
Friday	

Dow Jones Industrial Average



Source: FT Graphite

Bottom Line

Calor finds rumours a gas

Calor Group, the bottled gas supplier, has stumbled across an unusual way to draw in new investors. Wait for a few adverse rumours and, after an initial fall, the shares might end higher than before.

This was the case early this week when Calor found itself the victim of Sunday press reports that a vicious price war had broken out in the bottled gas market.

Esso, it was claimed, was moving in on Calor's patch by selling bottled gas for less than half price. This would inevitably destroy Calor's margins, and almost certainly erode its more than 50 per cent market share.

The reports puzzled Calor's executives, who had spent the weekend hosting their so-called arch rivals at the Gatcombe Park Horse Trials.

The reports also puzzled the financial community, which could not understand Esso's allegedly aggressive attempts to take share in a mature market firmly dominated by a single player.

Nevertheless, the immediate reaction was to sell the shares and ask questions later. It now appears that the "price war" was little more than retailers' normal summer discounting of cylinders traditionally used for winter heating.

There is also a huge price difference between cylinders sold to stockists and those sold to individual consumers.

Fierce competition has been a fact of life for almost 10 years in the UK liquid petroleum gas (LPG) market.

Prices have been squeezed by the arrival of aggressive new entrants in the mid-1980s and by declining demand as central heating replaced mobile heaters and more homes were connected to the British Gas network.

LPG is also a very local market, with producers, in general, serving specific regions. Esso, for example, operates largely in the south of England. This allows national suppliers such as Calor to price according to local competition.

Calor has met the pricing problem by tackling costs. Over the last two years, the group estimates it has reduced these by some 20 per cent. Last year, Calor reported to its shareholders that, in spite of lower prices, margins and market share had been maintained as a result of the on-going rationalisation.

To add to that success, industry sources say prices of LPG are beginning to stabilise at last. This year, says Esso, prices have stayed at well above the lows of the last two years. For example, the average industry wholesale price for a 47kg cylinder is about £17-£18, compared with the lows of £13.

Analysts say Calor is well placed after the ravages of recent years. With a low-cost base and strong balance sheet, the group is able to focus on developing other businesses in growing markets. For example, the natural gas joint venture with Alliance could open substantial opportunities when British Gas loses its monopoly after 1996.

Calor also has a growing operation supplying bottled gas to the eastern European markets, and is applying its gas expertise to dispensing beer and soft drinks.

While these operations are estimated to be breaking even at the moment, they are expected to start making real returns in the next two to three years.

This, say analysts, is at least how long it would take anyone to affect seriously Calor's position in the UK bottled gas market.

In the end, the adverse publicity may have done little more than wake investors up to Calor's strengths, says one analyst.

The most compelling attraction was probably the dividend, which returns a yield of 6 per cent, against a market average of less than 4 per cent. "The story got people to look at the company and decide it was cheap," the analyst says.

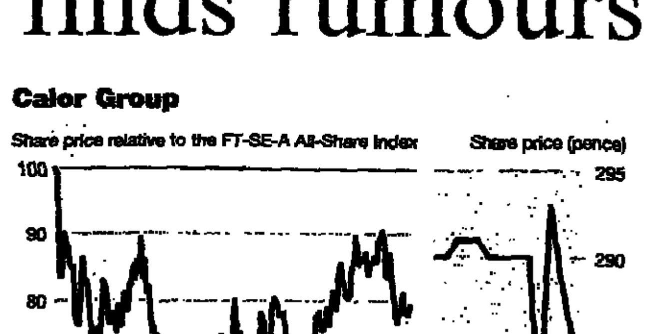
The revived interest in this closely held stock inevitably led to a jump in the share price on Tuesday. But, by Friday, Calor had drifted back to below its pre-rumour price.

Calor is unperturbed. Indeed, it may have learned a useful lesson from the events of the past week.

"We are even thinking of adopting this as a tactic if ever we need new investors," said one employee, jokingly.

Peggy Hollinger

Calor Group



Source: FT Graphite

FINANCE AND THE FAMILY

Careful planning can keep your estate safe

***Scheherazade Daneshkhu** explains how to hold the Revenue at bay*

Many people will not leave enough when they die to fall within the scope of inheritance tax. But plenty of others will – and, for them, it is worth thinking about IHT planning while they are alive. Otherwise, the Inland Revenue, rather than their heirs, could get most of their estates.

There are a number of misconceptions about IHT, however. The 10 most common are:

■ **1. Special relief is available for private property. Wrong.** Some people confuse some of the capital gains tax provisions with those of IHT. Your principal residence is exempt from CGT – but it falls within your estate for IHT purposes.

■ **2. IHT applies only to the rich. Wrong.** The first £150,000 of an estate is tax-free, but anything above this is taxed at 40 per cent. Given the rise in house prices over the past decade or so, a lot of people, particularly in the south-east, will find that their main residence alone is worth much more than £150,000.

Solution: Make use of your nil rate band (see 3 below) and of all your other exemptions to whatever extent is practicable. These include:

□ An annual £3,000 gift to an individual. This can also be carried forward for a year, which allows you to give away £6,000 if you have not used up last year's exemption.

□ A limitless number of "small gifts" per tax year, each of a maximum of £250 to any individual.

□ Wedding gifts of £5,000 from each parent (£2,500 from each grandparent and £1,000 from anyone else).

□ Gifts to charity and to a qualifying political party plus works of art (so long as the public gets access to them).

If you give away enough, your estate might elude IHT. But "potentially exempt transfers" (see 5) escape the tax only if you remain alive for seven years after giving the assets away. And the danger with giving away too much is that you might not leave yourself enough to live on. One way round this is to make use of trusts (see 6).

■ **3. I have made a will so I don't have to worry about IHT.** Wrong. A will simply ensures that your assets are distributed in accordance with your wishes. It does not save tax unless it has been worded to take account of IHT.

Solution: Ask your solicitor for guidance about IHT. You will want to ensure that your nil rate band – at present, the £150,000 you can leave without IHT being payable – is used up. (See 4 and 6).

■ **4. I can leave everything to my spouse.** This might seem an ideal solution, since transfers between spouses are exempt from IHT. But what if you and your spouse die at the same time?

Even if you are survived by your spouse, the problem is only postponed – and probably worsened since, by the time they die, the assets are likely to have appreciated further. And leaving all your assets to your spouse also wastes your nil rate band.

Solution: Barry Stillerman, of accountant Stoy Hayward, suggests drafting a will leaving assets worth the nil rate band to (for example) children. This bequest would then be free of IHT and would reduce the value of assets left to your spouse. (But see 6).

■ **5. I can give assets away but still enjoy their benefit.** No. If you make a gift but still continue to benefit from it (such as giving your house to the children but continuing to live in it, or taking income from investments handed over to them), it will be treated as yours.

Solution: You can retain a benefit, such as continuing to live in the property given to your children but paying rent at the market price. But Steve Midwinter, of accountant Touche Ross, points out: "The rent could be kept to a minimum by accepting, as tenant, obligations to keep the home in good repair."

Caroline Garnham, of solicitor Simmons & Simmons, says a partner could leave capital to his spouse in trust for her life.

At a later date, the trustees could apportion part or all of the capital to the children but without excluding the spouse from future benefit. But Garnham warns: "This type of planning must not be done without good professional advice."

If you want to make a genuine gift, be sure it is documented and dated so it will count as a "potentially exempt transfer."

■ **6. I do not trust my family so I cannot plan for IHT.** Many people may find that tax-efficiency and practicality do not accord. If you make gifts to your spouse or children in the belief that everything is being kept in the family, there is the awful possibility that the spouse might walk out or the children turn against you.

So, while it might be a good idea for IHT purposes to change the ownership of the house in which you live from "joint tenants", where the survivor owns the house, to "tenants-in-common", where each owns half the house and leaves the other half to the children, there is a danger that they could force a sale on the surviving parent.

Solution: Use a trust, but take independent professional advice about it. John Battersby, of accountant KPMG Peat, recommends an accumulation and maintenance trust for young children or grandchildren. This allows assets to be held in trust for the surviving spouse so they can have the benefit of income without being able to stop the capital from passing to the children or other intended beneficiaries.

Stillerman also suggests drafting the will so that the estate is left in trust. This would leave assets within the family should, for example, a widowed spouse remarry.

■ **7. If I give assets away and live for seven years, I will escape tax.** You might escape IHT – but what about CGT? Depending on their value, you might incur a large CGT bill by transferring assets, whereas there is no CGT at death.

Solution: CGT holdover relief was all but abolished in 1989, but it remains available when a chargeable transfer (as opposed to a potentially exempt transfer) is made for IHT purposes.

Clive Scott-Hopkins, of independent financial adviser Towry Law, says the only chargeable transfer of any significance is into a discretionary trust – a flexible type of trust in which the trustees have discretion regarding those to whom payment of income and capital can be made.

Thus, he suggests creating a discretionary trust under which, as long as assets within the nil rate band of £150,000 are transferred, there will be no IHT to pay and CGT will be deferred until the assets are sold. After seven years, the nil rate band comes back into use again.

■ **8. Only UK residents pay IHT.** Wrong. If you are UK domiciled, you will be liable to IHT on your global assets even if you are no longer resident in the UK (unless there is an over-riding double taxation treaty). It is also possible for someone who is neither UK resident nor UK domiciled to be liable to IHT if they own assets directly in the UK.

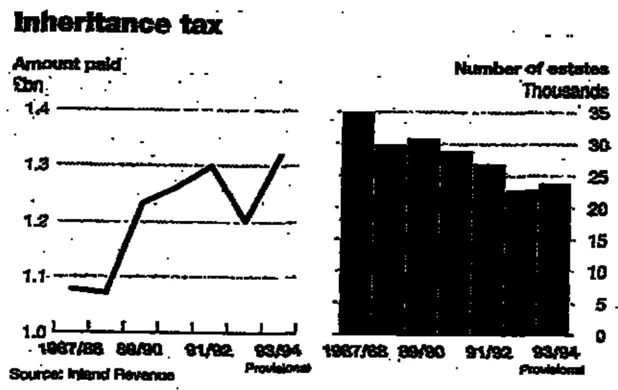
Solution: Garnham says a non-UK domiciled person can avoid IHT on UK assets by holding them through a foreign company. But she warns that care is needed to ensure that, by avoiding one tax, another is not incurred.

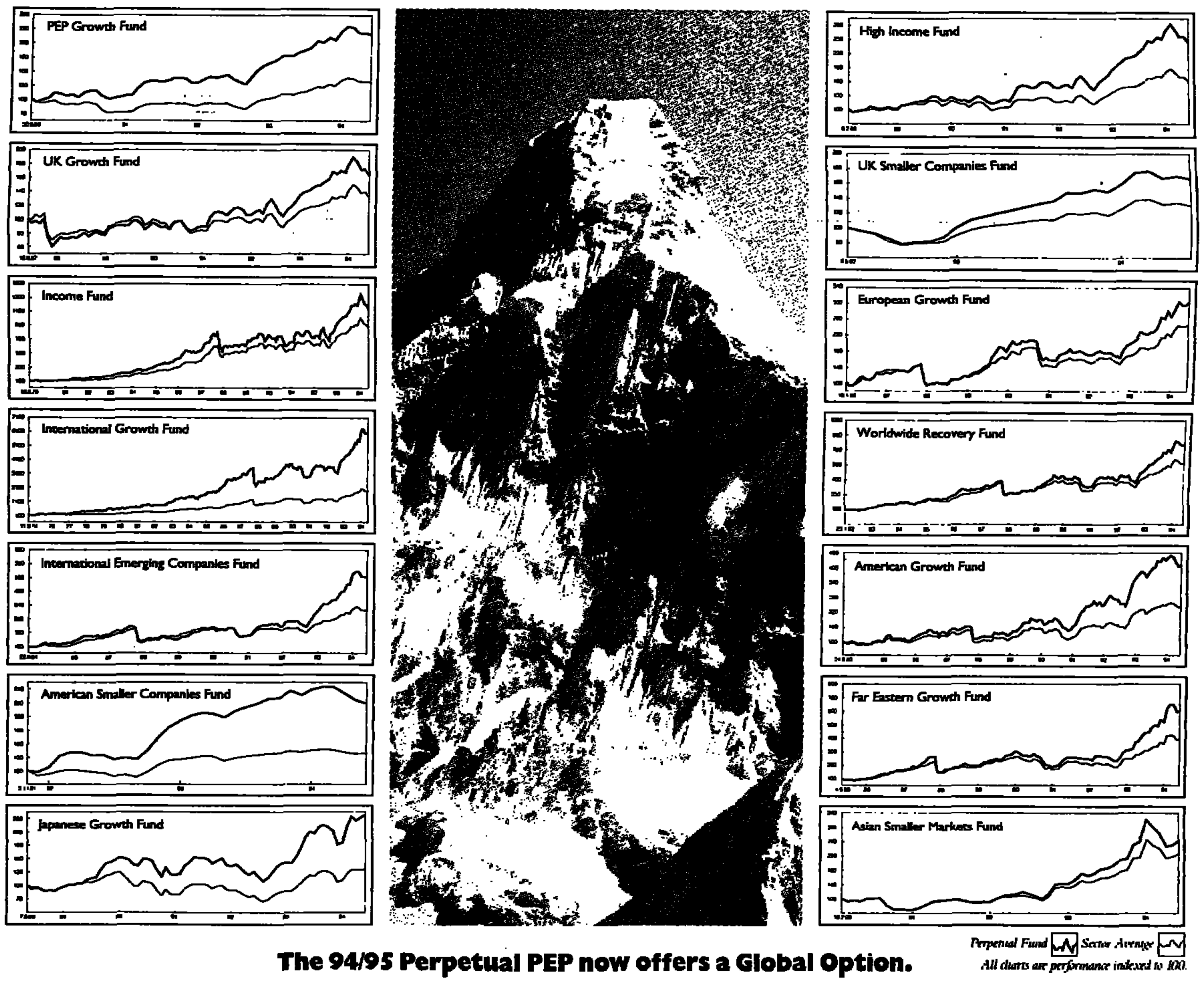
■ **9. IHT is payable only on death.** Not necessarily, as should be clear from 7. Transfers into a discretionary trust are, technically, liable to IHT; but the rate at which they are taxed is 0 per cent on the amount within the nil rate band. Any excess above that will be taxed immediately at 20 per cent (instead of 40 per cent, as is usually the case under IHT) on the excess as long as you survive for seven years.

If you die any earlier, tax is payable at 40 per cent, although "tapering relief" reduces the tax charge by 20 per cent each year after three years, according to Scott-Hopkins.

Solution: Make sure you choose the most suitable trust for your purposes and that it is structured in such a way as to escape as much tax as possible. Professional advice is needed here.

■ **10. I have read everything I need to know about IHT.** Unfortunately not. There is a lot more detail which cannot be covered in an article of this length. For one thing, Midwinter points out that many people miss out on 100 per cent business property relief because holdings within a family company are not structured to take advantage of it.





FINANCE AND THE FAMILY

The Week Ahead

Thorn is aiming to make sweet music

Analysts on Tuesday will be examining with interest the results from Thorn EMI. This will be the first time the music and rental group has reported on a first quarter.

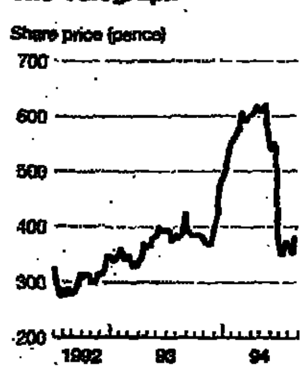
Music accounts for nearly two-thirds of Thorn's profits, and operating figures of between £45m and £55m are being forecast for the division out of total overall profits of between £67m and £77m. A goodwill write-down on the sale of some non-core assets should bring in pre-tax profits around the £50m-£60m mark. Thorn's rental business, which includes Rumbelows in the UK and Rent-A-Centre in the US, should chip in with operating profits of around £25m.

□ Interim pre-tax profits at Kerry, the Irish meat, dairy and food ingredients group, are expected to be up about 10 per cent to I£15m when its six months' results to June 30 are announced on Wednesday. Lower margins in the dairy and red meat divisions are expected to be more than offset by continuing strong growth in the group's expanding food ingredients and food divisions, according to Dublin analysts.

□ The continuing rationalisation and re-structuring of Wace, the pre-press and specialist printing group, is expected to pay off on Tuesday with first-half profits ahead 42 per cent to £10m (£7m). Its re-focused UK operations are also likely to make a healthy contribution, although demand remains patchy in the US and flat in continental Europe.

□ Marley, the building materials group, is expected on Wednesday to report a sharp increase in first-half profits following exceptional gains from the sale of its French roof tile subsidiary and increased volumes in the UK market. Pre-tax profits could reach £26m (£13.2m), with the disposal of Alsace-based Bisch contributing about £8m to the total.

The Telegraph



Source: FT Graphite

□ Slough Estates, the UK's largest industrial property group, is expected on Wednesday to announce interims of around £31m for the first half of 1994, up from £28.8m. The group has made no meaningful asset disposals during the period, and the performance for the year is likely to reflect improving occupancy levels and the phasing-out of incentives for rental agreement.

□ The Telegraph, reporting on Wednesday, is expected to make first-half profits of about £34m-£35m, up from last time's £28m. The continuing price war with *The Times* (and, latterly, the *Independent*), affected only nine days of the half; thus, it should not have dented the predictions. After an 18 per cent advertising revenue growth in the first quarter, the second saw some slippage although 1993's second quarter had been robust. Analysts are asking if future advertising growth will balance the inevitable circulation revenue shortfall.

□ Guardian Royal Exchange, the smallest of the composite insurance companies, is expected to post pre-tax profits of between £120m and £140m when it reports interims on Thursday. The company revealed profits of £65m at the same stage last year. Like its competitors - three of which reported better than expected first-half profits earlier this month - GRE should benefit from the buoyancy of trading conditions in the UK where premium rates increases, more selective underwriting and milder weather are allowing underwriting profits.

□ Problems at a number of its US offices will depress profits at Willis Corroon, the insurance broker, when it reports interims on Thursday. Pre-tax profits are expected to fall to between £50m and £55m, compared with £63.1m last year. The group, formed by the merger of Willis Faber and Corroon & Black in 1990, also has been hit in the US by the defection of a large team of construction insurance specialists to a rival company.

□ A maiden contribution from Securiguard will ensure that Rentokil remains on a strong growth track when it announces interim results on Thursday. Analysts expect pre-tax profits to exceed £83m for the six months to June, representing a 24 per cent increase. Securiguard should contribute close to £7m of the additional earnings, but Rentokil's core businesses should continue to show rapid growth.

□ Weir Group announces its interims on Thursday, with Panmure Gordon forecasting pre-tax profits of £18.6m, up from £16.7m a year ago (which included a £2.43m exceptional item for redundancy and reorganisation costs). This would put the Glasgow-based pumps and engineering products group on course to fulfil City estimates of £40m-£43m for the full year, compared with £37.5m in 1993.

Directors' transactions

Directors of Filofax have been remarkably consistent in buying stock and chief executive Robin Field is the most recent, acquiring 13,500 shares at 203p. This concentrated level of purchasing started at the beginning of May 1992 when the shares were 31p.

□ Timothy Barker, the vice-chairman of Kleinwort Benson, has sold 13,000 shares at 520p following the company's announcement of interim results on August 8. He still holds more than 19,000.

□ Dealings by board members at Forward Technology, the audio and video cassette company, give a mixed impression. Early in the week, Paul Jeffries, one of the executive directors, bought 60,000 shares at 60p, increasing his holding by more than 10 per cent. Just two days later, the company announced that Gordon Allen, the non-executive president, had sold 750,000 at 23p, even though they were trading around the 49p mark.

The reason was that 500,000 shares were bought from him because of a call option, while the others were sold at a discount.

□ Sanderson Electronics, a company in the support services sector, supplies computer software and hardware. Chairman Paul Thompson has sold 3m shares, worth more than £2.5m – the largest transaction of the week. But he still holds more than 27 per cent of the company.

Vivien MacDonald
The Inside Track

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Sanderson	SSer	3,000,000	2,550	1
Zeneca Group	Phrm	181,434	1,482	2*
GKN	EngV	15,375	101	1*
Kleinwort Benson	MBnk	26,000	147	2
Triplex Lloyd	Eng	142,842	209	1*
Marshalls	BM&M	40,000	58	1*
Torex Hire	BCon	20,000	11	1
PURCHASES				
Cater Allen	OthF	2,698	14	1
Reed International	Mdia	5,000	41	1
Vendome (Unit)	RetG	3,000	15	1
On Demand Info	Mdia	12,000	14	1
Fairway	PP&P	125,000	106	2
Forward Tech	EE&E	60,000	27	1
Boustead	EngV	75,000	19	1
Filofax	OthB	13,500	27	1
Hampson Inds.	Eng	47,821	34	1
INVESCO Japan	InvT	30,000	30	2
NatWest	Bnks	5,000	23	1
TSB	Bnks	5,000	10	1
Seeboard	Elec	5,000	19	1

Value expressed in £000s. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 8-12 August 1994.
Source: Directus Ltd, The Inside Track, Edinburgh

Diary of a Private Investor

Let the children decide

Kevin Goldstein-Jackson explains why his daughters have a summer task

Summer holiday time and the children are getting restless. My eldest daughter, aged 12, has suddenly become very fashion-conscious and is urging yet another visit to the local Etam shop where she and her friends love the Tammy Girl clothes.

No wonder Etam's 1994 annual report says the company "has one of the faster stock turns in the retail trade" and listed pre-tax profit up 28 per cent on the previous year. I wish I had bought shares for my daughter in 1985: she would have more than doubled her money.

Instead, in 1985, I used money provided by a relative to buy each of my two daughters a baby bond. These were offered by the Tunbridge Wells Equitable friendly society and were promoted as a "tax-free investment for children aged 0-18".

Basically, it was a 10-year, unit-linked endowment policy which could be funded by monthly instalments totalling £100 a year, or with a lump sump of £800. I chose the lump sum method.

The promotional literature claimed the bonds would achieve a minimum "estimated value" after 10 years of £2,004 but added that, under certain circumstances, this could reach £2,767.

I think it is unlikely that either figure will be achieved. In April this year, just 18 months before their maturity date, a statement showed the bonds were worth just £1,420.59 each.

A society official explained: "In a contract of this nature, where growth in unit prices is dependent on investment expertise and the underlying economic climate, it is impossible to predict the eventual policy value at a particular time in the future."

My daughters are now old enough to understand fully the value of money and the importance of sound investment. They are not very impressed by the baby bonds.

When these mature, they intend to find a good home for the proceeds. Indeed, they believe they can do better by choosing their own direct investments.

They prefer to buy shares in individual companies rather than investing via a unit trust. This is, partly, because they remember the pleasure (and profit) they gained a few years ago when they owned shares in the Walt Disney company of the US. They appreciate visiting and using the products and services of the companies in which they have invested.

Since they have travelled widely, they also understand the vagaries of fluctuating currencies. That is why the profits from their investment in Disney were put into a bank account – in Swiss francs.

It is no longer sufficient for banks to offer money boxes, comics and other freebies. What concerns my children most is how much interest they will get.

My youngest daughter has an account with the National Westminster bank but only a small amount remains on deposit there.

Most of the rest has been transferred to a Young Sovereign account with the Skipton building society. This earns 6.5 per cent gross a year and, if she does not withdraw anything until December 1, she will get an additional 2 per cent gross.

A Young Sovereign account can be opened with a minimum initial deposit of £25. Since many banks and societies pay interest of only 1 or 2 per cent to many of their young savers, Young Sovereign has big attractions to children who are serious about investment.

As my daughters do not pay tax, they have registered with the Inland Revenue (on Form R85) provided by the building society to receive their interest without having any tax deducted.

It is important also to remember that, subject to certain conditions, children have the same income and capital gains tax allowances as adults.

The Inland Revenue leaflet IR110, A Guide for People with Savings, is available from tax offices and includes a section that covers children's accounts.

Young people are naturally inquisitive. I have, therefore, set my daughters the holiday task of asking their young friends to name their favourite products and predict the next trend or craze.

Perhaps the results will lead to a company in which my daughters can make a profitable investment. It might even be Etam.

Credit warning

People holding credit cards could lose out under the reforms of consumer credit proposed by the Office of Fair Trading, the Consumers' Association warned in a report published this week. It attacked the new limits recommended by the OFT within which card issuers should be liable for goods or services misrepresented or not delivered.

The removal of credit providers' "joint and several liability" was recommended by the deregulation task force set up by the Department of Trade and Industry. In June, the OFT concluded that the protection should remain, but within slightly narrower limits. It said the minimum transaction for which it applied should be raised from £100 to £150, while the upper limit should be set at £25,000 rather than £30,000.

Jean Eaglesham, of the CA, said it was "iniquitous to raise the lower limit while lowering the upper", particularly as the average credit card purchase was just £40. But the OFT said the rise in the lower limit, the first since 1985, would be in line with keeping the liability to relatively high-priced goods and services. It did not believe significant transactions now protected in law would be excluded by the fall in the maximum.

Alison Smith

RESULTS DUE

Company	Sector	Anncmnt due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS					
Aerospace Engineering	Eng	Monday	0.25	0.5	0.25
Baglet Investment Trust	InTr	Tuesday	-	-	-
Farringford	FdMa	Wednesday	-	-	-
Murray Income Trust	InTr	Thursday	2.25	4.15	2.33
New London	O&E	Friday	-	-	-
News International	Med	Thursday	0.701	0.868	0.72
Roxspur	BdMa	Thursday	-	-	-
Select Industries	EngV	Thursday	-	-	-
Smith (WH)	ReGn	Wednesday	4.3	9.9	5.0
Throgmorton 1000 smallest Cos	InTr	Tuesday	-	2.5	-
Welsh Ind Inv Tst	InTr	Thursday	-	4.0	-
INTERIM DIVIDENDS					
Bailey (Ben) Construction	B&C	Tuesday	0.3	0.5	-
Baillie Gifford Shin	InTr	Friday	-	-	-
Baldwin	L&H	Friday	1.6	1.9	-
Bridon	Eng	Thursday	1.25	2.75	-
British Assets Trust	InTr	Thursday★	1.07	1.07	-
Daniels (S)	FdMa	Wednesday	-	0.3	-
Delaney Group	HseG	Thursday	-	-	-
Dunedin Income Growth Inv Tst	InTr	Wednesday	8.75	17.35	-
EFT Group	Eng	Wednesday	0.46	1.04	-
Fidelity European Values	InTr	Monday	0.9	-	-
Fleming Claverhouse	InTr	Friday	1.25	1.75	-
Friendly Hotels	L&H	Tuesday	2.2	3.5	-
Gartmore	OtFn	Wednesday	-	-	-
Genbel	Exln	Monday	-	-	-
Gibbs & Dandy	BdMa	Wednesday	1.0	1.5	-
Graham Group	BdMa	Thursday	-	-	-
Graseby	E&EE	Tuesday	3.3	3.3	-
Guardian Royal Exchange	Ins	Thursday	2.85	4.95	-
Hambro Countrywide	Prop	Thursday	0.5	0.25	-
Hibernian	Ins	Monday	-	-	-
INVESCO	OtFn	Wednesday	1.0	2.5	-
Jos Holdings	InTr	Wednesday	-	-	-
Kerry Group	FdMa	Tuesday	-	-	-
Latin American Investment Tst	InCo	Wednesday	-	-	-
Life Sciences Intl	Hlth	Thursday	1.4	2.5	-
MTM	Chem	Monday	-	-	-
Marley	BdMa	Wednesday	2.1	2.1	-
Mayflower Corporation	EngV	Wednesday	0.45	0.9	-
Mersey Docks & Harbour	Tran	Wednesday	2.85	6.15	-
Monument Oil & Gas	O&E	Wednesday	-	-	-
Murray International Trust	InTr	Tuesday	2.7	3.6	-
Parity	SpSv	Wednesday	1.5	-	-
Pegasus	SpSv	Friday	2.0	3.0	-
Quicks	Dist	Thursday	3.0	3.0	-
Rentokil	SpSv	Thursday	0.84	2.01	-
Scottish Eastern Inv Tst	InTr	Tuesday	0.52	1.08	-
Scottish Inv Tst	InTr	Thursday	1.7	3.2	-
Senior Engineering	Eng	Wednesday	1.28	2.1	-
Shorco	B&C	Thursday	2.4	2.8	-
Slough Estates	Prop	Wednesday	3.1	5.0	-
Store	PP&P	Tuesday	-	-	-
Sudleigh	L&H	Friday	-	-	-
Telegraph	Med	Wednesday	5.5	7.5	-
Thorn EMI	L&H	Tuesday	9.0	24.0	-
Victaulic	Eng	Monday	2.5	5.5	-
Wace Group	PP&P	Tuesday	1.0	2.5	-
Weir	Eng	Thursday	1.925	4.575	-
Willis Corroon	Ins	Thursday★	1.65	-	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results. † 1st quarterly. ‡ 2nd quarterly. ★ 3rd Quarterly

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
	Prices in pence unless otherwise indicated				
Bredero Props.	10*	10	15	3.70	Slough Estates
Castle Comms	380*	355	340	24.50	ACE Holdings
Dale Electric	70¼*	72	60	16.00	TT Group
Devenport Vernon	167	158	113	32.30	Evans Halshaw
Elswick	18¼	18¼	12	37.70	Ferguson Int'l
Great Southern	775*	770	475	112.90	Service Corp Int
Do. Prf.	309*	311	180	16.29	Service Corp Int
Kembrey	17.6*	16	12	4.80	Chamring
LEC Refrideration	358*	355	355	21.70	Sime Darby
Low (Wm)	360*	364	169	247.00	Tesco
Low (Wm)	305*	364	280	210.00	Sainsbury (J)
NMC ‡	159§§	157	159	113.00	Britton
Scholes	250*	254	193	98.10	Hanson
Spear (J.W)	1100*§	740	740	46.90	Hasbro
Spear (J.W.)	1000*	740	740	52.00	Mattel
Towles	275*	268	243	4.22	London City
Trans World ‡	181	179	173	70.80	EMAP

*All cash offer. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 19/8/94. §§Shares and cash.

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Aitken Hume	OtFn	Mar	4,870 L	(713)	-	(1.04)	1.0	(1.0)
Armitage Bros	FdMa	May	1,070	(875)	17.9	(14.6)	8.4	(8.2)
BBB Design	Med	Apr	138	(154 L)	1.94	(-)	-	(-)
Birkdale	Med	Mar	4,530 L	(3,590 L)	-	(-)	-	(-)
English & Caledonian	InTr	Jun†	231.6	(191.2)	4.46	(4.26)	4.0	(4.0)
Fleming Enterprise	InTr	Jun†	208.1	(201.6)	5.35	(5.96)	4.8	(4.7)
Jackson (William)	n/a	Apr	4,840	(580)	158.7	(86.6)	-	(-)
Pifco	E&EE	Apr	2,650	(2,200)	15.4	(12.8)	4.5	(4.13)
Scantronic	E&EE	Mar	1,890	(1,270)	-	(-)	0.643	(3.121)
Stanelco	E&EE	Feb	160 L	(39)	-	(-)	-	(-)
Syndicate Capital Tst	Ins	Jun†	88.5	(-)	1.31	(-)	1.25	(-)
US Smaller Co's Inv	InTr	Jun†	148.3	(141.1)	0.71	(0.64)	0.5	(0.5)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
ADT	SpSv	Jun‡	30,000	(32,200)	-	(-)
Alliance Trust	InTr	Jul†	£19.55	(£21.33)	15.0	(14.5)
Angerstein Underwrtg	Ins	May†*	90.28	(-)	1.2	(-)
Argos	ReGn	Jun	15,300‡	(13,200)	2.65	(2.35)
BICC	E&EE	Jul	63,000	(58,000)	6.0	(6.0)
Burlington	OtFn	Jun†	17.71	(18.78)	0.6	(0.6)
Cantab	Phrm	Jun	1,850 L	(1,240 L)	-	(-)
Cheshire Bldg Society	n/a	Jun	7,890	(8,100)	-	(-)
City Centre Restrnts	L&H	Jun	5,810	(4,760)	0.45	(0.45)
Clarke (T)	B&C	Jun	424	(274)	1.28	(1.265)
Dawsongroup	Tran	Jun	5,020	(3,550)	1.8	(1.5)
Epwin	BdMa	Jul	2,470	(1,750)	2.7	(2.3)
Evans Halshaw	Dist	Jun	6,910	(3,730)	5.0	(3.8)
HSBC	Bank	Jun	1.48bn	(1.18bn)	8.0	(7.0)
Haden MacLellan	Eng	Jun	2,200	(1,800)	1.0	(1.0)
Hanson	Dvin	Jun	282,000	(258,000)	3.0	(2.85)
Horace Small Apparel	Text	Jun	945	(553)	-	(1.0)
Huntingdon Intl	Phrm	Jun‡	3,340	(10,100)	-	(-)
Irish Life	LfAs	Jun	380,100	(355,000)	3.0	(3.0)
Jackson National Life	n/a	Jun‡	71,800	(118,500)	-	(-)
Jupiter Intl Green	InTr	Jun†	55.0	(58.71)	1.7	(1.7)
Kalon	Chem	Jul	10,000	(8,700)	1.5	(1.3)
Kode International	E&EE	Jul	515 L	(710)	-	(2.0)
London Industrial	Prop	Jun	485	(197)	-	(-)
Lowe (Robert)	Text	Apr	305	(1,280 L)	-	(-)
Malaya Group	Dist	Jun	503	(153 L)	0.25	(-)
Micro Focus	SpSv	Jul	4,700	(7,800)	-	(-)
Midland Bank	Bank	Jun	443,000	(385,000)	-	(-)
Moorfields Estates	Prop	Jun	459	(244 L)	0.5	(-)
Nightfreight	Dist	May	1,350	(538)	1.13	(-)
Nth Midland Constn	B&C	Jun	101	(85)	0.2	(0.4)
Persona	Dist	Jun	1,000	(825)	0.88	(-)
Portmeirion Potts	HseG	Jun	1,880	(1,590)	2.5	(2.25)
Rea Bros	MrBk	Jun	621	(802)	0.5	(0.5)
Regal Hotel	L&H	Jul	5	(844)	-	(-)
Relyon	HseG	Jun	2,800	(1,940)	2.1	(1.9)
Richardsons Westgarth	Eng	Jun	1,550	(1,420)	1.3	(1.28)
Roseby's	ReGn	Jun	738	(681)	1.5	(1.4)
Sea Containers	Tran	Jun‡	3,440	(14,400)	-	(-)
Sedgwick	Ins	Jun	63,400	(55,800)	3.0	(3.0)
Sedl	PP&P	Jun	913 L	(494 L)	-	(-)
Skipton Bldg Society	n/a	Jun	7,040	(4,170)	-	(-)
Takare	Hlth	Jun	9,390	(6,940)	0.8	(0.7)
Unilever	FdMa	Jun	1.06bn	(1.03bn)	-	(-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. † Net asset value per share. ‡ Irish punts and pence. 3 month figures. Nine month figures. US dollars and cents. Figure for 24 weeks. Net income. Total Premium income. * Figures as at September 17.

RIGHTS ISSUES

None

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Howden Group is to raise £9.59m via a placing of 10.2m shares.
Legal & General Ventures is to raise up to £25m via a placing and offer.
Pacific Media is to raise £9m via a placing and offer of 21.3m shares at 3p.
Scantronic is to raise £1.5m via an offer of 18.1m shares at 10p.
Tarkett is to raise up to 500m via a placing offer.

FINANCE AND THE FAMILY

Insurers change tack

*Not so long ago, premiums were soaring. Now, reports **Joanna Slaughter**, they are starting to fall as companies chase business*

Storm damage, subsidence and theft claims late in the 1980s led to big increases in home insurance premiums. But companies are now again seeking customers actively, according to Tom Walton, manager of Towry Law Insurance Broker Services. And the hunt for new business is proving good news for consumers.

Walton says: "Rates are down, particularly for buildings insurance, but contents rates are beginning to soften as well. A number of new insurers are coming into the market and prices should gradually reduce for the next 12 months."

Some of the keenest competition comes from the telephone-based direct insurance companies. They are eager to exploit the public's appetite for cheaper insurance and its distaste for the selling methods of some building societies, which "tie" mortgage and insurance in one non-negotiable package.

Direct Line, the insurance subsidiary of Royal Bank of Scotland, has dubbed this particular practice "a billion pound burglary". Direct Line's research suggests that nearly 13m UK householders pay an average 20 per cent more than they need for their household insurance and the company claims that, on average, its premiums are 20 per cent lower than those for policies arranged by building societies.

There are, however, many variables attached to insuring your home and belongings, and the cheapest premium does not always represent the best policy. Recently, the Household Mortgage Corporation compared the block buildings and insurance policy it offers its borrowers with the policy issued by a leading direct insurer.

It found that the latter excluded a number of risks, including accidental damage, and concluded: "Despite the advances in marketing and use of technology by the new insurers, block policies which use the lender's negotiating power to maximise the cover available to customers can still provide better value."

Insurance companies no longer sell buildings insurance at a flat premium. Instead, they rate the cost according to postcodes to reflect the insurer's experience of subsidence, heave, flood and theft. But there is no unanimity among the insurers on rating areas and this can throw up both pricing anomalies and bargains.

Prospective policyholders also should look at excesses, which can be triggered by different types of damage or can be applied to all claims. The risk of subsidence invariably carries an excess, with £1,000 a common figure and a hefty £3,000 not unknown.

Other points to check with buildings insurance are if the policy extends to garages, greenhouses and garden sheds, and whether alternative accommodation is provided in case of disaster. The property itself should be insured for its re-building cost, not its market value or council tax valuation.

With contents insurance, claims are met on one of two bases: replacement-as-new or indemnity, which is the replacement cost, less wear, tear and depreciation. Most policies require buyers to insure their possessions for their full value, but some base premiums on the number of bedrooms and provide a maximum sum insured. This strategy makes for simplicity but also means that people run the risk of being under-insured.

Segmentation is a buzz word in the contents insurance market. There are policies designed for the young, the "grey" market of the over-50s, and for high net worth individuals who are credited with taking greater care of their possessions than the rest of us.

The National & Provincial building society has just launched three insurance policies designed respectively for first-time buyers, families, and for the mature whose children have left home. Premiums on the first-time buyer option are around 30 per cent cheaper than for the others. At the same time, the society is keeping its existing comprehensive policy on sale.

A spokesman explains: "We are retaining our existing Homepack policy, which is a bit expensive but is a cover-all, sleep-easy option. Our new policies are more keenly priced and segmented."

Certainly, market segmentation has led to cheaper premiums for older customers. Norwich Union cut household insurance premiums for "mature" customers by as much as 30 per cent in some cases earlier this month, while Provincial Insurance's Home-Cover 50 Plus buildings and contents policy offers both a mature householder discount and a no-claims discount.

Most insurers also give discounts for good quality security and alarms, regardless of the age of the policyholder, and some reward members of Neighbourhood Watch schemes.

While the extent and relevance of the cover is crucial when choosing household insurance, price is the bottom line for most people and Walton says: "There can be a difference of 50 per cent between the most, and least, competitive policies on the market."

Consumers should get a quotation from both an insurance broker and a direct insurer. Look at the actual cover provided by the most competitively-priced policies and ask some questions about service, particularly the length of time taken to settle claims.

When cover can be at a premium

*Those seen as higher risk can lose out, says **Bethan Hutton***

While household insurance premiums may be falling generally after the huge rises of the past few years, the picture is not equally rosy for everyone.

Insurers are battling for a share of the profitable, low-risk end of the market, but this can leave anyone seen as higher risk out in the cold. Those who do not fit into the insurers' favoured market segments, or who have made claims recently, may find personal evidence for falling premiums hard to come by.

The bad news, if you are one of the thousands of home-owners to have made subsidence claims in recent years, is that you probably are stuck with the same insurer for the foreseeable future. Only in exceptional circumstances would most insurers take on properties with a previous subsidence problem.

If, say, your house is less than 10 years old, has been under-pinned fully and is in an area not generally prone to subsidence, some insurers would consider it. But if it is pre-war and built on clay soil, the chances of being accepted by a new insurer appear to be practically zero.

The only way out is to move. Fortunately, if you do want to sell up, most insurers will continue to insure a property already on their books which has a history of subsidence claims, even if it changes hands.

One or two recent claims for theft or accidental damage may also make it extremely hard to change insurers at present The message from Norwich Union, for instance, is that if you have had a theft claim for more than £1,000 in the past year, you should forget about switching insurers for the time being.

Likewise, if you have had three buildings or contents claims of any size within the past three years, the Norwich is unlikely to take you on, although it will look at the background: claims for one-off storm damage will be treated more sympathetically than a series of accidental damage or loss claims.

Evidence of improved security can sometimes help if your record is tainted with recent burglary claims. In some places, better security is compulsory – many insurers now refuse to cover inner city properties unless they meet minimum security standards, usually involving five-lever mortice deadlocks on the front door and locks on ground floor windows or french doors.

Red-lining, cherry-picking, or a frequent unwillingness to quote for certain types of business are tendencies to which insurance companies are loath to admit. But the anecdotal evidence is that direct insurers are more likely to decline to quote than traditional insurers. Callers are occasionally told, quite bluntly, that their postcode is uninsurable.

Yet, since postcode-based rating is based largely on insurers' own claims records, the same postcode might trigger a different response elsewhere.

Direct insurers tend to have much tighter underwriting criteria, partly because the staff providing quotes over the phone are not themselves underwriters and must stick to fairly rigid guidelines.

Where other insurers might look closely at the circumstances, and raise premiums to take account of increased risk, the direct companies sometimes seem to prefer to turn business away.

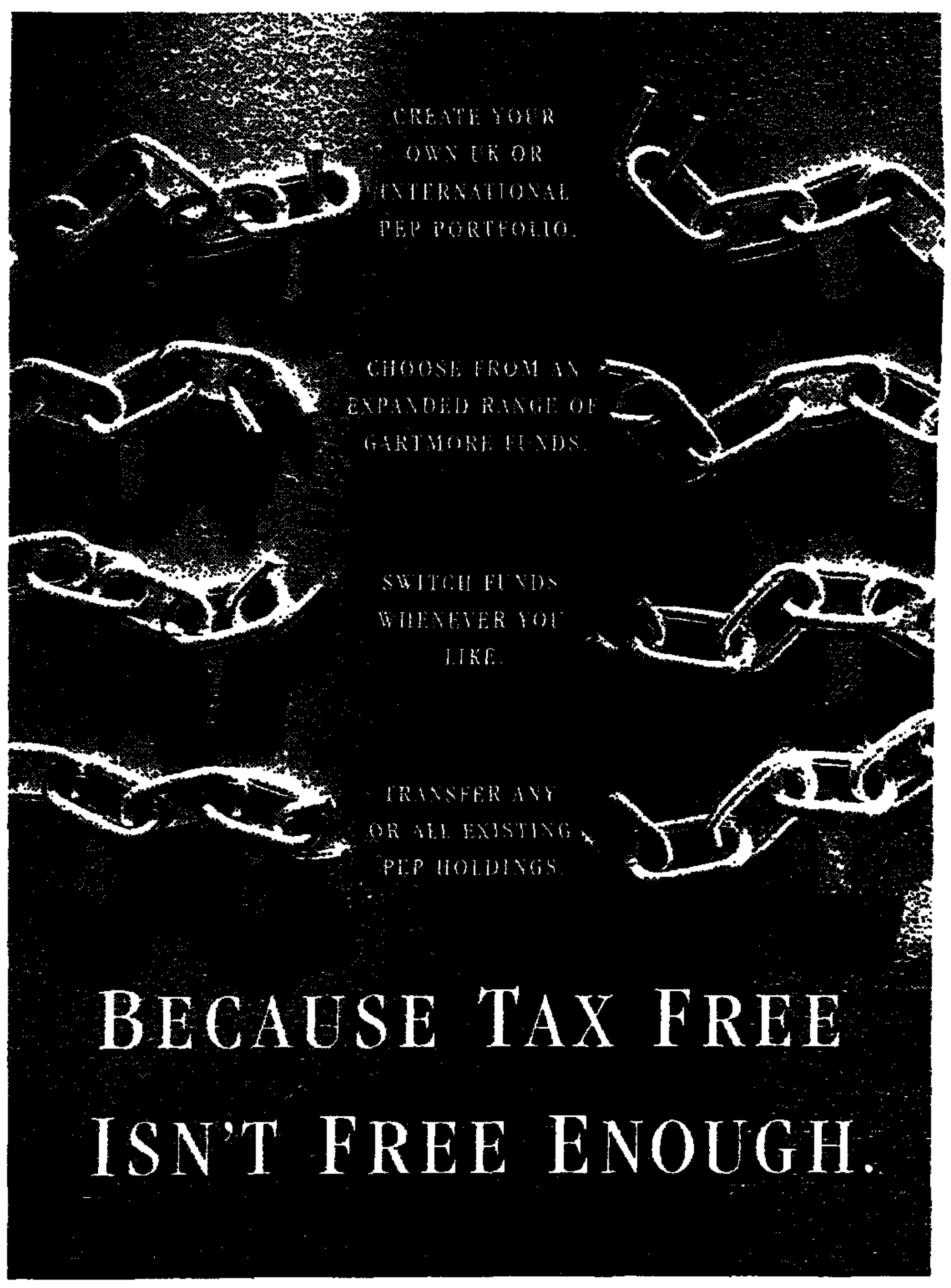
So, if yours is a "problem case" and you have been finding the direct insurers less than welcoming, it could pay you to turn back to the brokers, who can scour the more obscure corners of the market for amenable insurers.

As most brokers deal only with a limited number of insurers, talking to more than one could improve your chances of finding a good deal. Mortgage lenders may also be prepared to help if you are having trouble with buildings insurance, where they have a vested interest.

The last-ditch option, if you are having difficulty finding insurance at a reasonable price, is to accept a lower level of cover.

This could involve indemnity-only cover, which means that pay-outs for stolen or damaged possessions are reduced for wear and tear rather than the new-for-old replacement which is standard with most policies.

In extreme cases, insurance might be available – or affordable – only if you cut out cover for theft altogether and limit the insurance to fire, flood and other catastrophes.



FINANCE AND THE FAMILY

Causes for complaint

***Scheherazade Daneshkhu** looks at the pension ombudsman's report*

Pension transfers headed the list of complaints made to pensions ombudsman Michael Platt last year, according to his annual report* this week – the third since the office was set up in 1991.

Platt said transfer values and the time taken to make transfers had been continuing problems over the years. Another recurring complaint related to the size of pensions. Some people found the amount was less than they had been led to believe, or that it was paid late. In some cases, they did not get a pension at all.

In one case, two men accepted redundancy and early retirement on the basis of estimates provided by their employer. But their lump sum payments were 20 per cent less than expected because the basis on which they had been calculated was wrong.

The men said they would have continued to work had they known the correct figures – and their complaint was upheld by Platt, who directed the employer to make good the difference.

He said most disputes were the result of "inadvertence, inefficiency, oversight or failure of communication" rather than intentional malpractice or fraud. And he pointed out that the number of complaints received last year – 2,179 – had to be seen in the context of the 20m people with rights to an occupational scheme.

He was, however, concerned at the conflict of interest that could arise for some pension trustees, especially those administering small schemes. Indeed, the largest award he had made – of £190,000 – went to the victim of such a conflict.

In this case, a man complained that his pension had not been paid since he retired. But the company of which he had been a director, and which was sole trustee, said he owed it money.

Although the scheme rules allowed the company to recover debts from benefits, it needed a court order or arbitrator's award. Since it had not attempted to obtain either, the ombudsman decided that, by refusing to pay the man his benefits, "it had placed its corporate interests first".

Platt said: "Trustees are often appointed from the management of the sponsoring company, or the company itself may act as trustee...[the] possibility of conflict of interest is greater in small companies where management may have a proprietorial interest."

He also noted an increase in complaints about delays in winding up schemes and stressed that, when schemes were wound up with too few assets to pay benefits, "I cannot conjure funds out of nowhere".

Michael Platt..."I cannot conjure funds out of nowhere"

Although Platt welcomed the government's proposed compensation plan, he believed that limiting it to losses caused by fraud, theft or misappropriation of assets, meant that "members of some schemes may still be at risk of losing some or all of their entitlement, with no means of effective redress".

In all, the ombudsman ordered £907,000 to be paid to wronged pension scheme members. This amount went to the 44 people whose cases he upheld wholly or in part.

What is striking about the ombudsman scheme is the high percentage (90 per cent) of complaints investigated which are upheld. On the other hand, only a tiny proportion of cases are taken up – last year, only 49 out of 2,179 complaints received.

Almost a third of all complaints was referred to the Occupational Advisory Pension Service, since they had not gone there first as procedure dictates.

In another third, the ombudsman decided an investigation was inappropriate, mainly because there was no evidence of maladministration or injustice.

A further quarter of complaints were outside the pension ombudsman's jurisdiction. Half of these belonged to a different complaints body and were forwarded to it.

Some of the rest fell outside the time limit. This is three years from the date of the events which led to the complaint, or three years from the date the complainant first became aware of those events.

**Annual Report of the Pensions Ombudsman 1993-94. HMSO. £8.75.*

If you have a problem...

You should try first to sort it out with the trustees or managers of your pension scheme, *writes Scheherazade Daneshkhu*. If they cannot resolve it, then write to the Occupational Pensions Advisory Service (Opas), which is free. The pensions ombudsman will not investigate your case until Opas has screened it first but the two bodies do share the same offices.

Opas has published two free leaflets designed to answer questions asked most often about occupational schemes.

■ *Where is My Pension?* looks at problems faced by people who have moved jobs and have lost track of any pension entitlement they might have.

■ *Winding Up a Pension Scheme* covers some of the most common problems raised by members when their scheme is in the process of being wound up.

Complaints about personal pensions are not handled by the pensions ombudsman but by the insurance ombudsman. But the new Personal Investment Authority, the self-regulating body which has replaced Fimbra and Lautro, has set up an ombudsman's scheme as well.

Its remit is somewhat unclear but it should handle some areas of private pensions, particularly marketing and sales.

The Securities and Investments Board (SIB), the chief regulator for the financial services industry, can direct investors to the correct ombudsman and outline the complaints procedure of each.

☐ *The Pensions Ombudsman and Opas, 11 Belgrave Road, London SW1V 1RB (PO: 071-834 9144; Opas: 233 8080).*

☐ *The Insurance Ombudsman, City Gate One, 135 Park Street, London SE1 9EA (071-928 7600 or 928 4488).*

☐ *PIA Ombudsman, 1 London Wall, London EC2Y 5EA. (071-600 3838).*

☐ *SIB, Gavrelle House, 2-14 Bunhill Row, London EC1Y 8RA (071-638 1240).*

The Professionals

A name that spans the world

Joanna Slaughter** on investment managers. Today: **Rothschild

The story of the five sons of Mayer Amschel Rothschild has become merchant banking's answer to the tale of Dick Whittington. Nearly 200 years ago, the entrepreneurial siblings established businesses in the principal cities of Europe. Today, it is little exaggeration to say that nearly everyone has heard the name Rothschild.

Peter Sullivan, managing director of Rothschild Asset Management, the group's London-based investment management arm, agrees that instant name recognition is a significant advantage when selling his firm to private clients. But Sullivan describes Rothschild as "still a family business. It is run by members of the family, who are in here every day. We are managing portfolios for the Rothschilds, and that teaches you the way the family wants its money to be run".

Sullivan says private clients have their money managed in exactly the same way. Thus, it can be assumed that the Rothschilds favour a conservative, low-risk and highly-controlled investment policy with an emphasis on broad diversification. Theirs is not a bank that takes huge risks.

Marketing director Peter Rees adds: "The style flows so much from the organisation and its history. It has all the qualities that are associated with the Rothschild name. It is the traditional approach to running private client money. The approach does not include advisory investment management. All RAM private clients have their portfolios managed on a discretionary basis."

Sullivan has another point. "Mistakenly, people believe that you need an enormous amount of money to come to Rothschild. But £50,000 will secure an investor all our skills." This sum provides a gateway to Rothschild's managed fund service. Those who want a portfolio of direct equity holdings need at least £500,000 to justify the £5,000 minimum annual management fee.

One of the most rigorous disciplines at RAM is strict adherence to a series of benchmarks and parameters. A benchmark is agreed with each client, on the basis of his investment objectives and risk tolerance, and there are six onshore and six offshore model portfolios, with investment criteria ranging from fixed interest through to "optimal growth."

Investment managers: factfile 9

Rothschild Asset Management
Established: 1798

Regulator: IMRO
Number of offices in UK: 5
Number of offices worldwide: 32 in more than 20 countries
Funds under management: £16bn (group) £694m (private clients)
Number of UK private clients: 300 (1,900 in managed fund service)
Number of expatriate/foreign national private clients: 250
Minimum investment for private clients: £500,000 (£50,000 for managed fund service)
Current asset allocation for private clients: UK growth portfolio, UK equities 65%; overseas equities 32.5%; cash 3.5%. UK income portfolio, UK equities 15%; overseas equities 11.5%; UK bonds 45%; US and European bonds 25%; cash 3.5%.
Average annual portfolio turnover: 25%
Fees: 1% on first £1m; 0.75% next £1.5m; 0.5% next £2.5m; then negotiable. Minimum annual fee, £5,000, plus transaction charges

The present model growth portfolio for a UK private client has 65 per cent in UK equities; 7 per cent in North America; 12 per cent in Japan; 4.5 per cent in Europe; 4 per cent in the Far East, excluding Japan; 4 per cent in emerging markets, and 3.5 per cent in cash.

Sullivan says: "What is paramount in people's minds is the risk they are taking. Quite often, the client will start with a low risk tolerance but, over time, they may move to another benchmark and model. Clients probably will always look back towards some cash benchmark, but to have a portfolio 100 per cent invested in cash is just as high risk as to have a portfolio invested in equities."

Asset allocation is set by a team of senior specialists from each major investment sector, and implementation is controlled tightly. Sullivan explains: "The fund manager doesn't have much autonomy and scope on asset allocation. Managers would be questioned if they strayed because senior personnel are constantly looking at the overall balance of the portfolios."

The portfolio managers also have restricted elbow room when it comes to stock-picking. The firm runs 30 core stocks in the major markets and these are represented in all private client portfolios. There is also a list of 130 to 140 UK stocks, from which the portfolio manager is free to choose. The same process occurs in the other major markets.

This approved list is reviewed each week and, when stocks are removed from it, they also come out of clients' portfolios. Similarly, a manager cannot buy shares in a company if it is not on the list.

RAM looks to the work of the major research houses as far as the core stocks are concerned, but conducts its own research into middle line and smaller stocks. "We think this is where we can add value," Sullivan says.

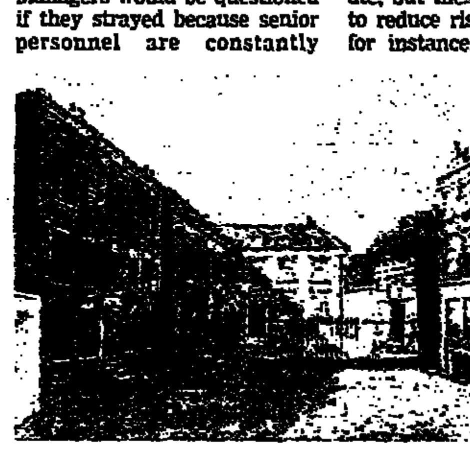
The portfolio managers will look at derivatives and hedging mechanisms where appropriate, but these always are used to reduce risk. Portfolios may, for instance, be hedged back into the client's base currency and, late in the 1980s, RAM was one of the first major investment houses to institute a derivatives policy that, effectively, protected its clients in Japan on the downside while giving them 130 per cent of the index on the upside.

Collective funds are used for investment in overseas and smaller companies, but the selection is not confined to the house unit trusts. "We look very carefully at a whole universe of funds," says Sullivan. None is considered unless it has been in the top quartile of its sector for three years.

Recognition that investment services must find more efficient ways to run private client money has prompted a quiet revolution within Rothschild over the past three or four years, according to Sullivan. It has raised its profile significantly, and 65 to 70 per cent of new private client business now comes from solicitors, accountants and other intermediaries.

There is a director responsible for every client, while portfolios are run by a fund manager and an administrator. "We have a very skilled team of managers," says Sullivan. "We don't use private clients as a training ground for graduates."

Somewhat surprisingly, given the bank's long history, comparatively few clients represent "old money". Typically, they have acquired assets after building up a successful business. Rees suggests that the Rothschild name provides them with "that little extra bit of security", and adds: "Our strength is that we will do nothing to damage that name."



The City of London site where Rothschild has been for nearly 200 years

Now it's Catch-22 at C&G

It is not quite Catch-22, but the arrangements for members of Cheltenham & Gloucester building society after the £1.8bn Lloyds Bank cash takeover offer have brought to light a new version.

Catch-22 was that if an airman was crazy, he could be grounded: all he had to do was ask. But as soon as he did, he was deemed not to be crazy – and had to continue flying.

Catch-C&G is that the investors who do not benefit under the revised cash payments scheme – and who are, of course, most likely to want to challenge the plans – are those who became members after the end of 1992.

But only those who have been members for two years can call for a special meeting to force C&G to discuss its proposals – ahead of the special meeting the board plans to call next year, anyway, to vote on the bid.

C&G is not alone among the larger societies in having rules saying that a special meeting can be called only after a resolution from 100 members of at least two years' standing with at least £100 in their accounts. Woolwich, Alliance & Leicester and Leeds Permanent all have similar provisions.

The position is only slightly easier in the two largest societies. At Halifax, it takes 200 members of 56 days' standing with £100 in their accounts to call a special meeting – but there is a two-year qualifying period and a minimum of 100 members for any special resolution to be discussed.

At Nationwide, 100 investors who became members at the end of the previous financial year and have at least £100 can call for a special meeting. But the board does not have to agree to one unless there is a qualifying resolution where, again, the two-year threshold applies.

Alison Smith

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/ term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs						
City & Metropolitan BS	City Gold	081 464 0814	Instant	£10	4.75%	Yly
Bradford & Bingley BS	Direct Premium	0345 248248	Postal	£1,000	5.40%	Yly
Skipton BS	3 High Street	0756 700511	Instant	£2,000	6.10%	Yly
Nottingham BS	Post Direct	0602 481444	Postal	£25,000	6.50%	Yly
NOTICE A/cs and BONDS						
Bradford & Bingley	Direct Notice	0345 248248	30Day(P)	£1,000	6.00%	Yly
Northern Rock BS	Postal 60	0500 505000	60Day(P)	£10,000	6.55%	Yly
Universal BS	1 Yr. High Option	091 232 0973	90Day	£10,000	6.80%	Yly
Yorkshire BS	Fixed Rate Bond	0800 378836	30.9.97	£5,000	8.00%F	Yly
MONTHLY INTEREST						
Britannia BS	Capital Trust	0538 391741	Postal	£2,000	5.37%	Mly
Bradford & Bingley BS	Direct Notice	0345 248248	30Day(P)	£10,000	6.30%	Mly
Scarborough BS	Scarborough 94	0800 590578	90 Day	£25,000	6.75%B	Mly
Bristol & West BS	Fixed Bond	0272 294271	5 Year	£5,000	8.25%F	Mly
TESSAs (Tax Free)						
Market Harborough BS		0858 463244	5 Year	£9,000	7.60%	Yly
Hinckley & Rugby BS		0455 251234	5 Year	£3,000A	7.35%	Yly
Melton Mowbray BS		0664 63937	5 Year	£1	7.20%	Yly
Holmesdale BS		0737 245716	5 Year	£1	7.15%	Yly
HIGH INTEREST CHEQUE A/cs (Gross)						
Halifax BS	Asset Reserve	0422 335333	Instant	£5,000	4.50%	Qly
Caledonian Bank	HICA	031 556 8235	Instant	£1	4.75%	Yly
Chelsea BS	Classic Postal	0800 717515	Instant	£2,500	5.75%	Yly
				£25,000	6.00%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey Ltd	International	0481 715735	Instant	£500	5.75%	Yly
Portman Channel Islands	Instant Gold	0481 822747	Instant	£20,000	6.20%	Yly
Derbyshire (IOM) Ltd	90 Day Notice	0624 663432	90 Day	£25,000	6.50%	Yly
Yorkshire Guernsey Ltd	Offshore Key	0481 710150	180 Day	£50,000	7.00%F	Yly
GUARANTEED INCOME BONDS (Net)						
Liberty Life		081 440 8210	1 Year	£10,000	5.30%F	Yly
Premium Life		0444 458721	2 Year	£1,000	6.00%F	Yly
Laurentian Life		0452 371371	3 Year	£20,000	6.70%F	Yly
Premium Life		0444 458721	4 Year	£1,000	7.40%F	Yly
Eurolife		071 454 0105	5 Year	£10,000	7.60%F	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	5.25%G	Yly
	Income Bonds		3 Month	£2,000	6.50%H	Mly
	Capital Bonds H		5 Year	£100	7.25%F	OM
	First Option Bond		12 Month	£1,000	6.00%FI	Yly
	Pensioners GIB		5 Year	£500	7.00%F	Mly
NAT SAVINGS CERTIFICATES (Tax Free)						
	41st Issue		5 Year	£100	5.40%F	OM
	7th Index Linked		5 Year	£100	3.00%F +Infln	OM
	Childrens Bond F		5 Year	£25	7.35%F	OM

This table covers major banks and Building Societies only. All rates (except those under heading Guaranteed Income Bonds) are shown Gross. F = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate. P= By Post only. A = Feeder account also required. B= 7 day loss of interest on all withdrawals. Branch-based account. G= 5.75 per cent on £500 and above; 6 per cent on £25,000 and above. H= 6.75 per cent on £25,000 and above. I= 6.40 per cent on £20,000 and above. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD. Readers can obtain an introductory copy by phoning 0692 500677. Figures compiled on: 18 August 1994.

FINANCE AND THE FAMILY

The electricity shares that never arrived

Having applied for shares in the 1993 Northern Ireland electricity share offer, I was sent the wrong form. As a result, I was allocated none. I have approached NatWest Registrars, the Belfast Department of Economic Development and, most recently, the Securities and Futures Authority. The SFA told me:

1. The activities of registrars "are not defined as investment business" under the Financial Services Act and "regrettably (they) cannot investigate this matter nor give an opinion on it."

2. "The conduct of registrars is the responsibility of the firm that employed them."

3. That my dispute lies with the department that employed NatWest. But I have already contacted it, to no avail.

Can you suggest, nearly one year later, how I might realistically obtain satisfaction without protracted expensive independent legal action?

■ NatWest Registrars was employed by Northern Ireland Electricity plc to administer its share offer. We think you should complain to the NIE if you feel its agents have given you what obviously sounds like a raw deal. Its address is: Company Secretary's Department, NIE plc, P.O. Box 2, Danesfort, 121 Malone Road, Belfast BT9 5HT. Tel: 0232-661 100. *(Murray Johnstone Personal Asset Management).*

Cash machine's missing money

On May 18, I used a Woolwich cash card at an Abbey Link cash machine in Milton Keynes. I requested £30 but received only £10. However, £30 was debited from my account. I notified both the Abbey National and Woolwich. On June 17, I received a letter from the Woolwich to say that, as no fault had been found with the machine, I would not get a refund.

■ We suggest you contact the Banking Ombudsman at 70 Gray's Inn Road, London WC1 8NB (tel: 071-404 9944) as a first step. Abbey National is now a bank and not a building society. The Building Society Ombudsman, covering the activities of the Woolwich, is based at Grosvenor Gardens House, Grosvenor Gardens, London SW1X 9AW. Tel: 071-931 0044. *(Murray Johnstone).*

Rights and the Revenue

Recently, I sold my allocated holding of Eurotunnel rights issue. As the proceeds are not subject to capital gains, will they now form part of my general income for taxation?

■ A sale of rights IS subject to capital gains tax, so your question is based upon a misunderstanding. Ask your tax office for the free pamphlets CGT13 (The indexation allowance for quoted shares) and CGT14 (Capital gains tax: an introduction). Although both are out of date, they should help you to grasp the basic principles.

Selling rights may produce an allowable loss (with transitional indexation relief), or a chargeable gain (after indexation relief), or a zero result (with a reduction in the CGT base cost of the original shares). It all depends upon the background facts and figures and (in some cases) the taxpayer's choice.

Safe custody of documents

Because of the charges which her bank intends to make for the safe custody of her share certificates, an elderly widow is keeping them in her house. In the event of a fire or burglary, she would have to pay to get them replaced. Is there any other risk?

■ Apart from the cost of replacing ordinary share certificates, there is simply the matter of the trouble and confusion that may be caused by their loss or destruction. If any of the certificates are "bearer" certificates, then they are of value in their own right and should be protected as much as cash.

We suggest that everyone makes a will. Very often, the solicitor that draws it up is happy to keep the original in the office safe at no charge. Such firms may well be prepared to offer safe custody of share certificates, too.

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

Taxing US dividends

Am I correct in making the following assumptions?

1. That stock dividends in foreign companies – in this case, US companies – are, in effect, the equivalent to bonus scrip issues in the UK.

2. That when a US quoted company does a share split – through issuing, say, a one for one stock dividend – there is no liability to UK income tax.

3. That that there is no liability to US tax for the US stock dividends.

■ The answer to your questions is yes. The term stock dividend (or scrip dividend) is used in the UK to mean an issue of bonus shares as an alternative to a cash dividend, generally speaking. The usage in the US is different.

Who pays the bill?

I have received from my solicitor the draft of a trust deed setting up an interest-in-possession trust. My son and daughter are the immediate sole beneficiaries for their lifetimes, sharing the income but leaving the capital (including capital gains) intact. They are to be followed by my two grand-daughters, on the same terms.

In the matter of inheritance tax, my solicitor now tells me that "a person who has the right to income arising from a trust fund (or the right to the use of it, if it consists of, say, property or chattels) is treated as owning the trust fund, and it is taxed on his or her death as if it were part of his or her overall estate." Is this correct? And, if so, who pays the tax?

My solicitor now suggests that I should consider switching (with a very big increase in his fee) to a discretionary trust, but I do not wish to do this unless there are really good reasons.

■ Your solicitor is correct in that, if your children have an equal life interest in the trust fund, then 50 per cent of the value of that trust fund will be held in their respective estates.

If you survive for seven years from having made the gift to the trust, then there will be no inheritance tax on your death. On the death of each respective child, their respective estates will bear the inheritance tax on the underlying value of the fund at that time.

Your children have the ability to relinquish their life interest so that the assets pass down a generation at some future time.

I am not sure a transfer of the trust fund into a discretionary settlement would be appropriate, but I would need to know much more about the situation to advise further. *(Answer by Barry Stillerman, of accountant Stoy Hayward).*

Gifts to a wife

I am non-resident for tax purposes but my wife and I will soon return to live in the UK. Before then, I wish to give her some of my shareholdings so (a) we can take advantage of separate annual CGT exemptions after our return, and (b) we can realise capital gains made while I am exempt from CGT through non-residence.

If I simply give her the shares, will she be treated as having acquired them at market value on the date of the gift or at the (considerably lower) value at which I bought them, plus the relevant indexation?

■ Although the matter might be debatable, I think your wife would acquire the shares at your base cost (plus indexation) up to the date of your disposal to her. If you want her to own the shares with a base cost equal to their market value, then she will have to acquire them in her own right. *(Barry Stillerman).*

Your CGT

The table shows capital gains tax indexation allowances for assets sold in July.

Multiply the original cost of the asset by the figure for the month in which you bought it. Subtract the result from the proceeds of your sale; the balance will be your taxable gain or loss.

Suppose you bought shares for £6,000 in September 1985 and sold them in July 1994 for £13,000. Multiplying the original cost by the September 1985 figure of 1.509 gives a total of £9,054.

Subtracting that from £13,000 gives a capital gain of £3,946, which is within the CGT allowance of £5,800.

If selling shares bought before April 6 1982, you should use the March 1982 figure. The RPI in July was 144.

CGT INDEXATION ALLOWANCES: July 1994

Month	1982	1983	1984	1985	1986	1987	1988
January	-	1.743	1.658	1.579	1.496	1.440	1.394
February	-	1.736	1.651	1.566	1.491	1.434	1.389
March	1.813	1.732	1.646	1.552	1.489	1.431	1.383
April	1.777	1.709	1.624	1.519	1.474	1.415	1.361
May	1.764	1.701	1.618	1.512	1.472	1.413	1.356
June	1.759	1.697	1.614	1.509	1.472	1.413	1.351
July	1.759	1.688	1.616	1.512	1.477	1.415	1.350
August	1.758	1.681	1.601	1.508	1.472	1.410	1.335
September	1.759	1.673	1.598	1.509	1.465	1.406	1.328
October	1.751	1.667	1.588	1.506	1.463	1.399	1.315
November	1.742	1.662	1.583	1.501	1.450	1.393	1.309
December	1.745	1.657	1.585	1.499	1.445	1.394	1.306

Month	1989	1990	1991	1992	1993	1994
January	1.297	1.205	1.106	1.062	1.044	1.019
February	1.288	1.198	1.100	1.056	1.037	1.013
March	1.282	1.186	1.096	1.053	1.034	1.011
April	1.260	1.151	1.082	1.037	1.024	1.000
May	1.252	1.141	1.079	1.034	1.021	1.000
June	1.248	1.137	1.074	1.034	1.021	1.000
July	1.247	1.136	1.076	1.037	1.023	-
August	1.244	1.124	1.074	1.037	1.019	-
September	1.235	1.114	1.070	1.033	1.015	-
October	1.226	1.105	1.066	1.029	1.016	-
November	1.215	1.108	1.062	1.031	1.017	-
December	1.212	1.109	1.061	1.034	1.015	-

Source: Inland Revenue

PERSPECTIVES

Lunch with the FT

The world in a spin around Planet Earl

Lucy Kellaway grabs a bite with a hamburger king

Robert Earl's public relations man had initially suggested that I meet the hamburger king in Las Vegas. I could attend the opening party of the newest of the Planet Hollywood restaurants and get to meet the stars at the same time.

Not wanting to be difficult, I asked if I might lunch with Robert Earl a bit nearer home. The second suggestion was an evening party, to be given by Earl at Planet Hollywood in London for Michael Caine, Arnold Schwarzenegger and Jamie Lee Curtis in honour of a new film I had not heard of.

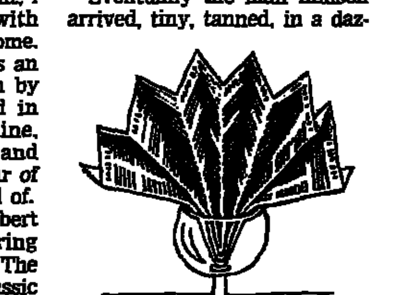
Twenty odd years ago Robert Earl was a humble catering student and a waiter at The Savoy. Now he is the classic entrepreneur, having turned an initial investment of £50,000 into over £50m through three themed restaurant chains. These days he comes with all the trimmings: the private jet, and so many glamorous friends that seeing him on his own was going to be a problem.

I explained that the "Lunch with the FT" articles involved eating lunch with the guest, preferably without half of the film trade there too. Earl's PR agreed that I could meet the man alone at Planet Hollywood London at 1pm on the day of the party. That would be perfect, I said.

In the event it was not perfect at all. The amplifiers were pumping out rock music so loudly, at the £8m theme burger bar off Piccadilly Circus, that I could feel the leopard skin banquette vibrating underneath me.

"Look! That's Robert", said the PR, pointing at the huge screen above our heads on which was playing the film of the £1m bash given last year to launch the restaurant. He kept up an amiable patter about Arnie, Bruce Willis and Sylvester Stallone, each of whom owns a small stake in the Planet Hollywood chain.

Eventually the man himself arrived, tiny, tanned, in a dazzling shirt and Planet Hollywood bomber jacket.



"Have you ordered?" he asked in a high-pitched voice with traces of a North London accent. I said no, so he ordered for me, telling a waitress to bring Diet Coke and a selection of the house specialities.

"I'm going to Paris with Arnold in the morning. This afternoon I'll be at Harvey Goldsmith's office at three," he said to the departing PR. "Do you know Harvey Goldsmith?" he asked me. "Not personally," I said.

Looking at me doubtfully he inquired whether I was "in-house" at the FT, and what I wrote about. So I described my job, and in return he described his. "I've just left an event in Las Vegas with Andre Agassi and Don Johnson. I'm here in London because my partner Arnold Schwarzenegger is premiering in a movie called True Lies."

He told me how many millions the film had already made in the US, how many hundreds of celebrities would be at his party that night, and how many thousands of fans would be lining the streets outside. Later that week he would be in Tel Aviv opening a restaurant, then back to see his family in Orlando for a day, before going on to Dallas. "It's a very typical week," he said.

The next day he was off to Paris to the new site on the Champs Elysée. "We are opening a restaurant there in March. That'll be our second attack into Europe. You are sitting in our London restaurant having lunch."

This obvious point served as a prelude to some more tendentious statements. "This is the highest grossing restaurant in Europe. We do in excess of £15m a year," he said pronouncing every word carefully making sure I was taking it in. "We're pleasantly surprised we have not been labelled a tourist trap – if you look round the room it is full of Brits."

I was not quite sure how to respond. Part of the Planet Hollywood magic was meant to be the permanent queue outside, yet when I arrived there had been no one waiting at all, and the the people at the next door table looked suspiciously Japanese. Yet such was Earl's insistence that I felt sure it was my mistake: last Tuesday must have been a freakish day.

Robert Earl: 'Most people would like my job'

Brendan Corr

He stopped, smiled and blew a kiss. "One of my favourite waitresses," he explained. "Worldwide, there'll be 15 Planet Hollywoods by next week, 20 by the end of the year, 40 by the end of next year, and 100 by the end of the century." People in India, in Jakarta and in Seoul will soon have the chance to eat their burgers surrounded by bits of film memorabilia, watching movie clips, and hoping to catch a glimpse of Sylvester Stallone.

"Stallone is here for four months filming. He's at the restaurant every night. He loves England. Being single he loves it even more." This struck me as a non-sequitur, but I let it pass.

A waitress skipped up to the table. "That's quick!" he yelled at her above the din. "We must have influence!" Pointing to the dishes she was laying on the table, he explained: "These are like deep fried won-ton with barbecue cheese, that's chicken in American cereal called Cap'n Crunch, and that's blackened shrimp – quite spicy – and that's creole mustard sauce."

He popped one from the first plate into his mouth but then sat back sipping his Diet Coke, leaving me to battle single-handedly with enough food to feed a family of five for a week. "Are you going to have a main course after this?" he asked. "No? Are you sure? A Caesar Salad? Try one?" He ordered for himself a small bowl of plain pasta with nothing on it.

I asked if he got fed up with the food there. "No!" he said vehemently. "No, you can get everything here, everything. Shelly good morning," – turning to address a well-groomed woman behind him. "Just look at the success," he said gesturing around him. "That's Marilyn Monroe's dress over there. That's Judy Garland's dress. That one (pointing at a large winged vehicle dangling from the ceiling) is worth £½m and is from *You Only Live Twice*."

In an attempt to change the subject, I asked about his other business interests. A few years ago he considered buying Tottenham Hotspur but was unwilling to do battle with Alan Sugar. Now he has turned his attention to basketball, and that very week had spent "a few hundred thousands" buying a British basketball team in partnership with Harvey Goldsmith.

"This sport is going to take off here," he said, in a way that brooked no argument. "Sky TV has adopted it. Budweiser has adopted it. It's sweeping the world. Some people will show you numbers that say it's bigger than soccer. Look at that gremlin up there."

He points at a green plastic monster sitting on top of the bar. The waitress brings his modest dish. "Hey this is getting quick! I'm really impressed!" he said.

I invited him to talk about his childhood. His father, also Robert Earl, was a 1950s crooner, while his mother ran her own business in the clothing trade. He told me he had been entrepreneurial right from his days at catering college. "Even now, I wish to be more successful. I'm being very honest with you, aren't I?" he said, putting his face rather too close to mine. "Most people would like my job."

"I wouldn't," I replied, thinking of the need to be so relentlessly positive. "Most people would, most people would," he said, putting me right.

"My partner and I (film producer Keith Barish) flew over here on Concorde. We laughed and worked and giggled the whole time. People thought we were crazy. We'd go from talking about multi-million pound deals to physically strangling each other."

The waitress came again and he forced me to have a pudding: "Have the brownie and ice cream, or the bread pudding with whiskey sauce." He had another Diet Coke.

He complained that he was suffering from a summer of excess, listing the exclusive resorts he has visited this year with his family, usually in the company of the Schwarzeneggers and the Barishes.

The manager came over to say that Roger Myers, head of the Pelican Group – of which Earl owns 11 per cent – was there. To detain him a bit longer (we had had just 45 minutes together) I asked if his 90-year-old secretary was still alive. "I came back for a big tear-jerker funeral early this year," he said sadly and, brightening, added: "But I made her famous just before she passed away. I got her government recognition, she was on television, journalists came from all over to see her. I threw a great 90th birthday for her at her golf club."

He was looking restless, trying to leave. I asked about the $1.5bn law suit filed against him by a partner of the Hard Rock café group, which Earl helped build up in the 1980s. The allegation is that the Planet Hollywood is a copy of the Hard Rock format; but Earl seemed unconcerned. "I've never laid awake at night over anything. I go to bed and go to sleep."

As he left, I asked if the FT could pay for lunch. To my surprise, he said "sure". For the next 10 minutes I tried to catch someone's eye for the bill. But no one seemed interested, so I gave up, and crept out past the queue which by then had formed outside.

Minding Your Own Business

Journalist takes a risk to get himself into print

Max Hotopf fled Fleet Street to become his own boss. It was, writes Clive Fewins, a rewarding decision

When he left university Max Hotopf had no idea that within 12 years he would be the head of a publishing corporation. His career, in fact, got off to a bad start. After a year teaching English as a foreign language he worked as an advertising executive and an invoice clerk.

"I was fired and made redundant twice by the age of 24," said Hotopf, 36, who gained a combined honours degree in politics and sociology at Durham University.

Casting his mind back he thinks this is no bad thing. "It gave me the desire to succeed – and above all, to make money," he said.

By the age of 29, after working in public relations and as a journalist on a computer magazine and then Accountancy Age, Hotopf gained a job on the city staff of the Daily Mail. It was a good job. He earned more than £30,000 for a four-day week. But after nearly four years he decided to leave and start his own business newsletter.

"My colleagues thought I was mad to leave a good job in a recession to form a new venture in an area known to be risky," Hotopf said. "I had the burning desire to start my own business. But it was a tremendous gamble as my wife and I had recently bought a 14th century house in a Suffolk village, and a second baby was on the way.

"Somehow I just didn't see myself as becoming a city editor. Really I saw starting my own business as growing up, and I knew there was money to be made in business newsletters – providing you get the arithmetic right."

With a £105,000 mortgage and a large medieval house in need of extensive renovation it was important to get it right first time. He did. But before that there had been a false start.

While at the Daily Mail, Hotopf and a colleague had tried to start a newsletter on management consultancy. "Unfortunately my partner gave the game away. Word of our plans leaked out and somebody else got a similar project off the ground first," Hotopf said. "I regarded this as bragging and I was very angry."

His new venture started in September 1991, with immediate mailing of the first details of his new newsletter – PC Europa – to 1,200 potential subscribers.

"It was a crucial exercise. It really had to pull in the first subscribers, as we had no plans to sell advertising and only a recent legacy of £20,000 to live off if the venture failed," Hotopf said.

The mailshot pulled in 30 subscribers of £300 each from Europe, North America and the Far East. It was a response of nearly 3 per cent – very good by mailshot standards. "It pulled in a vital £9,000 and gave us confidence and credibility," Hotopf said.

A key element had been a deal with American Express which allowed its credit card to be to use for payment.

"I knew it would be very difficult to get credit card company recognition from the onset," Hotopf said. "When Amex initially refused me I rang their press office and said I was from the Daily Mail. I explained why I thought I should be eligible.

"It hinged on the question of resale and the fear of the credit card companies that unknown new customers might resell goods bought on a credit card that they have not paid for. I was able to convince them that my newsletter had no resale value."

Eventually, representatives of Amex visited him in his home and viewed his business plan. Shortly after gaining Amex approval, he also won over Diner's Club.

The other fundamental to start-up success was wording. Hotopf named his newsletter PC Europa. The description underneath the name on the front of the 24 page publication is very precise. It reads: "Authoritative newsletters on Europe's pc markets." It is very specific, and aimed at a precise target area. Hotopf liked the name Passant – his mother's maiden name – so he called his tiny company by the grand title of the Passant Publishing Corporation.

"Although the word corporation has little meaning in English company law, the title had a ring to it, and also the feel of credibility. I felt the word corporation would appeal to the Americans and the Japanese," he said.

The home of the Passant Publishing Corporation was the equally grand-sounding Church House, in the High Street of the pretty village of Nayland, near Colchester. Subscribers were not to know this was Hotopf's home.

Rebecca, who trained as a doctor and is her husband's business partner, remained at home to run the business while caring for the couple's children. Hotopf travelled to the crucial computer exhibitions.

After less than three years subscribers total 800, Hotopf has a staff of two, and at his year-end in August he expects turnover to top £300,000. Profitability stands at about 30 per cent.

The company also produces three annual directories – *Distributors in Europe – the top 500*; *PC Retailers in Europe*; and *The new PC Assemblers*.

"My main worry is the current rate of renewal. The experts say it should be around 80 per cent, and we are not hitting this figure," Hotopf said.

"Keeping quality up is my top priority. A regular flow of up-to-date information is the key. However, despite the arrival of Mark Russell [a 26-year-old languages graduate] five months ago, I think we might have let it slip slightly."

Hotopf and Russell do all the interviewing and writing, 90 per cent of which is by telephone. The third member of the team is administrator Robert Rennie.

By far the biggest overhead – Hotopf currently works from a small office near his home with a rent of £350 a month – is his telephone bill. It averages £1,000 a month because of the high proportion of international calls.

As the owner of a successful and profitable specialist business newsletter one might think Hotopf's eyes would be on expanding the Passant Publishing Corporation. But he will not be drawn on this.

"First of all I want to produce three or four more reports," he said. We are currently limited by the size of our office so a move is the next thing on the cards. Then I'll take a hard look. I can double the turnover of the business from doing a few more reports and improving the quality and circulation of the newsletter, so maybe this will be the course to follow."

■ *Passant Publishing Corporation, Polstead Mill, Polstead, Colchester C06 5AB. Tel: 0206 262393.*

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هكذا في الأصل

FOOD AND DRINK

The Scottish feast, from haggis to a dram

***Philippa Davenport** travels to Edinburgh and finds delights for lovers of beef and bread, fish and fowl*

The British branch of the Scotch Beef Club was launched in style. The sun shimmered on the firth of Forth as we drove from Edinburgh to the venue, Hopetoun House. There, we were greeted on velvet lawns by the skirl of bagpipes and a gunfire salute of champagne corks.

The gala dinner was a multi-course affair. Apart from beef there was a natty presentation of haggis: little timbales of the stuff served on beds of neeps and tatties with a chive and whisky *jus*. The wines with dinner were a splendidly generous selection which flowed as freely as the champagne beforehand. A 17-year-old single malt whisky accompanied coffee.

I had forgotten how handsome the city of Edinburgh is with its wide, hilly streets, surprise vistas and so much 18th and 19th century architecture; all the more handsome now that many buildings have been cleaned or are in the process of being given a facelift.

Clarissa Dickson Wright gave me a refresher-course tour and my first glassy glimpse of the new festival theatre. Ex-Books for Cooks in London, now Global Gourmet (tel: 031-221 1101) and mastermind behind the new bookshop at Scobie Mackintosh's kitchen equipment emporium, she was the ideal guide.

How lucky the inhabitants of Edinburgh are to have so many good fishmongers. There are more than 80, according to John Moore of the Sea Fish Authority. I doubt that any other British city of the same size could boast half so many that are half so good. George Armstrong, of Raeburn Place (031-315 2033), has its own smokehouse at the back.

Not to be missed by those who love cheese is Ian Mellis, of Victoria Street (031-226 6215), a young cheesemonger who ripens and sells only farm-made British and Irish cheeses.

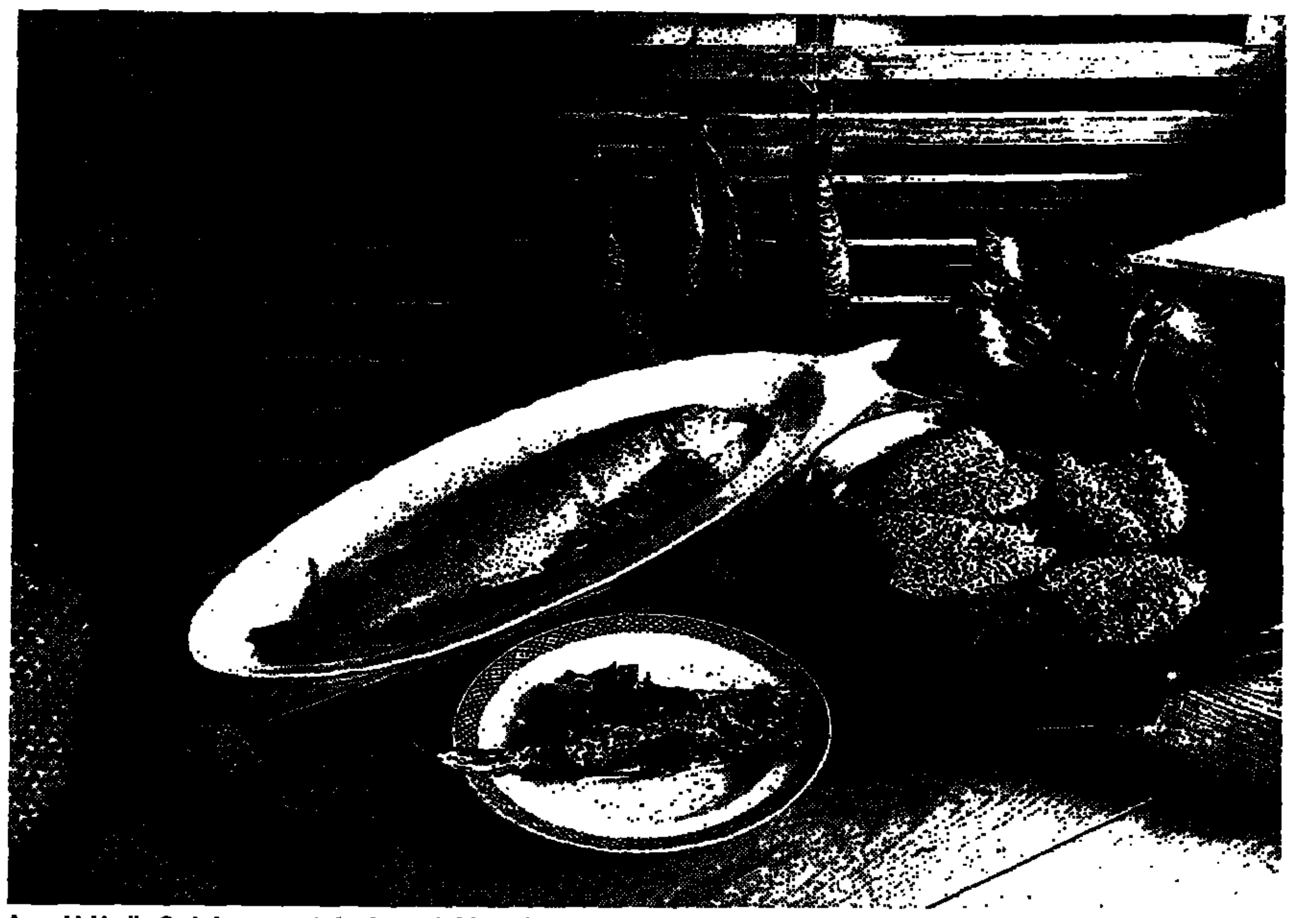
Mellis is passionate about his subject and knowledgeable. Tastings are encouraged. The shop is small and cool with a creamily painted interior that gives it the feel of a dairy.

The most compulsive shop of all, however, the essential stop-over if you have time to visit one shop only, is Valvona & Crolla in Elm Row (031-556 6066). I had heard that it was the best delicatessen in Edinburgh but it struck me as the most exciting I had been to in any part of the British Isles for many a year.

The small shop front and the window display unpromisingly filled with miniature drink bottles in no way prepare you for the interior, which soars to cathedral heights, with brightly coloured Lazaroni amaretti biscuit tins hanging high up in the roof.

Seldom have I seen so many temptingly desirable foods packed into one place. Scouring the shelves is what Christmas stocking dreams are made of. Upstairs is a large room where wine tastings, talks and cookery demonstrations are held.

Tucked behind the touristy frontage of The Witchery, near the Castle in Castlehill, is The Secret Garden restaurant (031-225 5613). Built more or less into the walls of Edinburgh Castle it is a good place to lunch. Decorative, airy, neither too intimate nor too grand, it conveys a definite sense of treat and the set lunch menu offers good value. The owner, James Thomson, clearly enjoys the art of presentation and understands his market well: bookings are consistently high throughout the year.



A good table: the Scots have a reputation for good plain food

Reed Consumer Books

The Scots have a fine reputation for good plain soups and baking. Their basic baked goods are unrivalled. Think of drop scones, oatcakes, shortbread, Dundee cake, many sorts of bread and morning rolls.

Television presenter and food writer Grace Mulligan told me that in Dundee, where she was born and brought up, morning rolls were delivered house to house, just like milk and newspapers, in time for breakfast each morning. Sadly this service is no longer available but Rough & Fraser of Kinghorne Road, Dundee (0382-825391) continues to bake morning rolls in the time-honoured way.

The product is hand-made from hard wheat that is left to ferment for about 10 hours then baked at a very high temperature to produce a crisp crust and very soft crumb. This is bread to eat within hours of baking (or to freeze for eating later). These bakers still work through the night and the back door of their premises is open from 11pm until 5am. You can watch them at work and buy fresh morning rolls to take home for breakfast.

Scotland is famous for game, both feathered and furred. Grouse is arguably the most exciting bird to shoot and the finest to eat. The more simply it is cooked the better, yet so infrequent a treat is it for most of us, that I thought it might be helpful to detail how to roast it.

To carry the Scottish theme through the whole meal, the grouse might be prefaced by a wild mushroom soup or by ripe melon or figs and wafer thin slices of Sara and Leo Barclay's Rannoch smoked venison (0882-632344). Oatcakes, Bonchester and other fine Scottish cheeses would make an appropriate finish.

ROAST GROUSE WITH BERRY GRAVY

(serves 4)

Four fine birds; eight thin cut rashers of unsmoked streaky bacon or strips of pork back fat; 2-3 oz raspberries, *fraises du bois* or blackberries; a few slivers of lemon peel (optional); a good splash of wine or a few drops of appropriately flavoured fruit vinegar; 8 fl oz stock; a little butter and four fluted rounds of bread.

Smear the untrussed birds lightly all over with well seasoned butter. Stretch the bacon rashers with the back of a knife, cut into lengths as required and lay them (or the strips of pork back fat) protectively over the breasts of the birds.

Secure the striped waistcoats with a criss-cross of string tied round each bird. Slip the berries and a flake of butter into the body cavities, adding a sliver of lemon peel if blackberries are used.

Lay the birds breast down on a rack in a roasting pan and cook at 425°F (220°C) gas mark 7 for 12-15 minutes depending on size. Turn the birds over and roast for 12-15 minutes more. Then strip off the waistcoats, baste the birds once and slip them back into the oven for a final five minutes or so until the breasts no longer feel soft and spongy when pressed with a fingertip.

Using the handle of a wooden spoon, tip the berries from the body cavities into the roasting pan. Then let the birds rest for 10 minutes or so in a warm place, laying them on thick soft rounds of toast or fried bread spread with the sautéed and crushed grouse livers.

Add the liquids to the roasting pan, scrape up the meaty sediment from the pan base and crush the fruit into it. Boil up and simmer until reduced to a few spoonfuls of fruitily gamey *jus*. Strain to extract fruit debris and spoon the jus over the birds.

Serve with plenty of peppery watercress and game chips or potato sticks, or bowls of creamy bread sauce and crisply fried breadcrumbs.

The glories of ancient fish

No one has yet attempted a history of changing tastes. Products may vary; sugar and potatoes and tomatoes may transform civilisations, but physical sensations (we always assume) remain the same – and the decision about what is pleasant or unpleasant to taste must be part of an unchanging world. Yet what western traveller has learned to accept sheep's eyes or fermented mares' milk as equal to caviar and champagne?

Even words mislead us: wine is not the same taste as it was 10 years ago, and certainly not the same as medieval or ancient wines. Greek wine was sweet and thick, so full of straws and sticks that it had to be strained; there were no vintages or châteaux, and only the most rudimentary of geographical *appellations contrôlés*, as Archestratus, a Sicilian of the fourth century BC, reveals.

The greatest luxury in ancient Greece was fish. Promising political careers were ruined by the accusation that a man was a fish-eater – fish-eating was a sign of extreme right-wing opinions. That is why Archestratus's book on the life of luxury or pleasant sensations is all about fish.

This earliest of gastronomic guide-books was written in verse, as a mock epic poem; it survives in 62 quotations from a gastronomic encyclopedia compiled 500 years later during the Roman Empire.

In florid poetic style it describes where you can find the best of each sort of fish from the Black Sea to Sicily and from the Adriatic to Asia Minor. The author was a dedicated hedonist "who sailed round the inhabited world for the sake of his belly and the parts beneath his belly".

Occasionally he mentions other flesh, such as hare and goose, but never the great sacrificial meats such as beef, goat or pork. The world of pure pleasure lies outside the civic rituals, in an area where indulgence runs free.

The editors of this delightful translation, illustrated with charming drawings by Philippa Stockley, are scholar and chef combined. They tell us what fish is what, and how well the recipes will work. They even reconstruct two sample recipes

ARCHESTRATUS: THE LIFE OF LUXURY. EUROPE'S OLDEST COOKERY BOOK
Translated with introduction and commentary by John Wilkins and Shaun Hill
Prospect Books, £7.99

(dogfish with cumin and oregano, and grilled marinated mackerel). But in spite of the grandiloquent claims of an author who believes so passionately in self-indulgence and excess, we are left with an impression of elegance, mixed with a certain abstemiousness; Greek luxury seems pretty restrained.

Now the Romans, they were really gross.

Oswyn Murray

Appetisers

Attractive Italians

Asda has a particularly good range of Italian wines this summer, and its prices are keen. Barbera d'Asti 1990 Gemma is just £3.99 and is bursting with ripe, chestnut and fruit flavours, displaying bite but not harshness.

Chianti Classico 1990 Quercia al Poggio at £4.99 is an underpriced plum cleverly extracted from the somewhat dubious pie that is modern Chianti (which can offer DOCG wines, supposedly Italy's crema della crema, for sale at £2.99). Maurizio Castelli is oenologist at this fine estate, and the seductively fragrant, substantial wine has benefited from its stint in new French barrels. *Jancis Robinson.*

■ A chance for city slickers to enjoy a free lunch next month. The second City food and wine fair is being held at Sutton's Hospital, Charterhouse, London on September 22 from 11am until 7pm. Some of the city of London's best-known food businesses will be offering product samples including: Ashby's, the butcher's and Ashdown, the fishmongers, both of Leadenhall market; City Herbs, of New Spitalfields Market; Philip Dade boulangerie and pâtisserie, of Middlesex; Mostly Smoked, of south London; Spicers Hampers, of Kent and many more.

Not only is it an opportunity to sample a glass of Jacquesson "Perfection" brut non-vintage champagne, courtesy of Mayfair Cellars (which is organising the tasting), but you can probably drink it from a Riedel glass, too. Admission is by invitation only. If you would like one, send details of your company and position to: John Trendell, Mayfair Cellars, 14 Rushworth Street, London, SE1 ORB. Tel: 071-928 8899 or fax: 071-401 8041. *Jill James*

■ Snod's welsh pork and leek sausage. Now there's a name to conjure with. Particularly as the sausage is being produced by two brothers, Hugo and Oliver Woolley, in Kent. Their traditional hand-linked products, using prime cuts of meat, natural casings and no artificial additives, are drawing a loyal following in Tunbridge Wells. The shop offers 18 varieties. I like the sound of Mrs Goudini's Italian sausage – coarse ground pork, garlic, Italian wine, oregano and basil – and also Alan Woodward's Sussex Village sausage with herbs, spices, juniper and a hint of gin. Freezer packs are available but there is no mail order service – yet. The address is: The Hugo Oliver Sausage Shop, 37 Monson Road, Tunbridge Wells, Kent, TN1 1LS. (Tel: 0892-545644). *JJ*

■ Talking of sausages ... those who want to make their own can obtain casings from The Natural Casings Company, PO Box 133, Farnham, Surrey, GU10 5HT. Tel: 0252-850454. Fax 0252-851284. A £5.50 pack of hog casings (post and packing included) contains 25 yards (enough to make 20lbs of sausages), seasoning, plus instructions and recipes. *JJ*

PERSPECTIVES

The Nature of Things

A simple pill to beat the body clock

***Clive Cookson** explains how our brains tune in to the rhythm of life and how we can reduce jet lag*

Within each of us ticks a biochemical clock, which has evolved to keep our minds and bodies in tune with the natural cycle of night and day. Most people know how it feels to be out of step with their internal clock, through jet lag after an intercontinental flight or the exhaustion of working night shifts. They may not know, however, that there are now scientifically valid ways to re-set the clock.

Biologists proved during the 1960s and 1970s that there really was an internal circadian rhythm (not to be confused with new-age "biorhythms" which claim, without scientific foundation, to relate cyclical events in your life to your date of birth). And they showed how the clock affects people's performance in a wide range of mental and physical tasks, as well as their susceptibility to disease and response to drugs.

In the 1980s it became clear that a hormone called melatonin plays a key role in regulating the daily cycle. Melatonin is produced by the pineal gland, which René Descartes, the great 17th-century philosopher, decided must be the seat of the soul because it was the only unpaired structure he could find in the human brain.

Animal experiments showed, however, that the main clock lies not in the pineal gland but in the brain's suprachiasmatic nucleus, an organ no larger than a grain of rice. (Although it is convenient to think of a single circadian clock, there are in fact several timekeepers acting together to control the daily rhythm – and we have other clocks controlling different cycles including the annual rhythm of the seasons.)

Research in the 1990s has given scientists hope that they will soon discover the precise molecular mechanism of the clock. It should then be possible to intervene directly to synchronise your internal cycle with the world outside, if you are flying across time zones or working nights. There might also be new treatments for sleep-related disorders and some mental illnesses that are related to faulty internal time-keeping.

As in so many other fields of current biomedical research, genetics seems set to provide the answer to the riddle of the clock. Biologists have found clock genes in primitive organisms (*frq* in bread mould and *per* in fruit flies) and this year Joseph Takahashi and colleagues at Northwestern University near Chicago caused great excitement by creating a mutant breed of mice with no circadian rhythm. The mice have a defective gene which the American researchers called *clock* (for circadian locomotor output cycles kaput).

Clock is the first circadian gene discovered in a mammal. Scientists expect now to move quickly to find out exactly what protein the normal version of the gene, *cloc*, makes and then to propose how it could work as a clock in conjunction with other genes.

Any clock must be based on a periodic or oscillating system. Man-made instruments use physical oscillators: a pendulum in a grandfather clock, a vibrating atom in an electronic clock.

Our body clock probably uses a chemical oscillator based on the transcription of genes. Think of two genes, A and B. If A makes a protein that switches on B, and B makes a protein that switches off A, the feedback can cause a natural oscillation in the system, with a characteristic period.

The natural free-running period of the human clock is close to 24¼ hours. When volunteers live for many weeks in isolated windowless chambers, where there are no clues about the time outside, they follow a pattern of waking, sleeping and other activities in which each "day" lasts slightly longer than a real day.

In our normal lives, the internal circadian clock is constantly being re-set by signals from the world around us. Much the most important of these "*zeitgebers*" is the presence or absence of bright light.

In darkness the pineal gland produces melatonin, whereas daylight stops its production. Presumably the melatonin acts in some way on the clock cells in the suprachiasmatic nucleus to adjust their chemical oscillation.

Although natural *zeitgebers* can bring the cycle forward or push it back by an hour or two within a day, more serious desynchronisation – in the form of jet lag – can take as much as several days to overcome. However there are ways of speeding up the process by reinforcing the signals.

One is exposure to bright light. But the simplest step is to take a melatonin tablet before going to sleep at night. Tests with small groups of volunteers indicate that melatonin reduces the time intercontinental flyers feel jet lag by about a third, without adverse side-effects.

Unfortunately, no pharmaceutical company has taken up melatonin as a commercial product and carried out large-scale trials to prove its safety and to discover what doses work best. The lack of interest is explained by the fact that melatonin is a simple natural molecule which is easily synthesised and not eligible for patent protection. So drug companies calculate that the potential financial returns would not be sufficient to justify spending several million pounds on the clinical trials required to obtain a licence for melatonin.

Yet, through a loophole in the regulations, melatonin can be sold as a nutritional supplement so long as no medical claims are made for it. You can buy it from some health food suppliers in the US and Europe, but not from a chemist's shop as a jet lag pill.

Josephine Arendt, a pioneering jet lag researcher at the University of Surrey, says she takes melatonin "and so does almost everyone else in the field. It is tragic that it has not been developed by the pharmaceutical industry," she adds.

Drinkers in a Prague bar: able to celebrate a resurgence in fortune

David Stewart Smith, Insight Photographers

The Czech millionaire club

Continued from Page I

occupation, has been made more difficult by the cultural and economic loss caused by the destruction of Czechoslovak Jewry.

For many Czech and other expatriates from east and central Europe however, life in the diaspora provided an opportunity to refine their skills and educate their children in good schools and universities. Many who stayed retreated into a form of "internal migration" where they nurtured their private beliefs. Both experiences are now reserves to be drawn on as the collapse of communism opens up new opportunities for deploying long-frustrated energies and creativity.

This new energy, aided by access to technology and wages less than one-tenth of German rates, is being harnessed to modernise the technical skills and ingenuity which made Czech lands the industrial powerhouse of the old Hapsburg empire. Industry is being refocused by new companies while the old communist behemoths are being slimmed down and privatised – such as the former state-owned engineering company Skoda Pilsen – or sold. Foreigners have acquired Volkswagen/Skoda Automobilova, the glass company Sklo Union and the state tobacco monopoly.

With increasing frequency German companies, or foreign companies operating in Germany, such as AVX, the UK subsidiary of a Japanese electronics company, are simply unbolting their equipment from plants in high-labour-cost Germany, shifting them by rail or truck and reassembling them over the Czech border where skilled labour is prepared to work for wages kept low by heavy government excess-wage taxes and weak or non-existent unions. Some companies, such as AVX, work their plants on a seven-day basis around the clock.

Low wages are thought to be a transient phase. Real incomes have been rising thanks to trade liberalisation, a stable exchange rate, a low inflation rate and wider availability of goods and services.

But the most dynamic growth in the rapidly emerging post-communist economy is concentrated in the long-neglected service sector. In tourism, retailing, banking, finance and property refurbishment – as well as betting shops and record companies – jobs are being created to absorb the shakeout from heavy industry. The service sector is also where fortunes are being made.

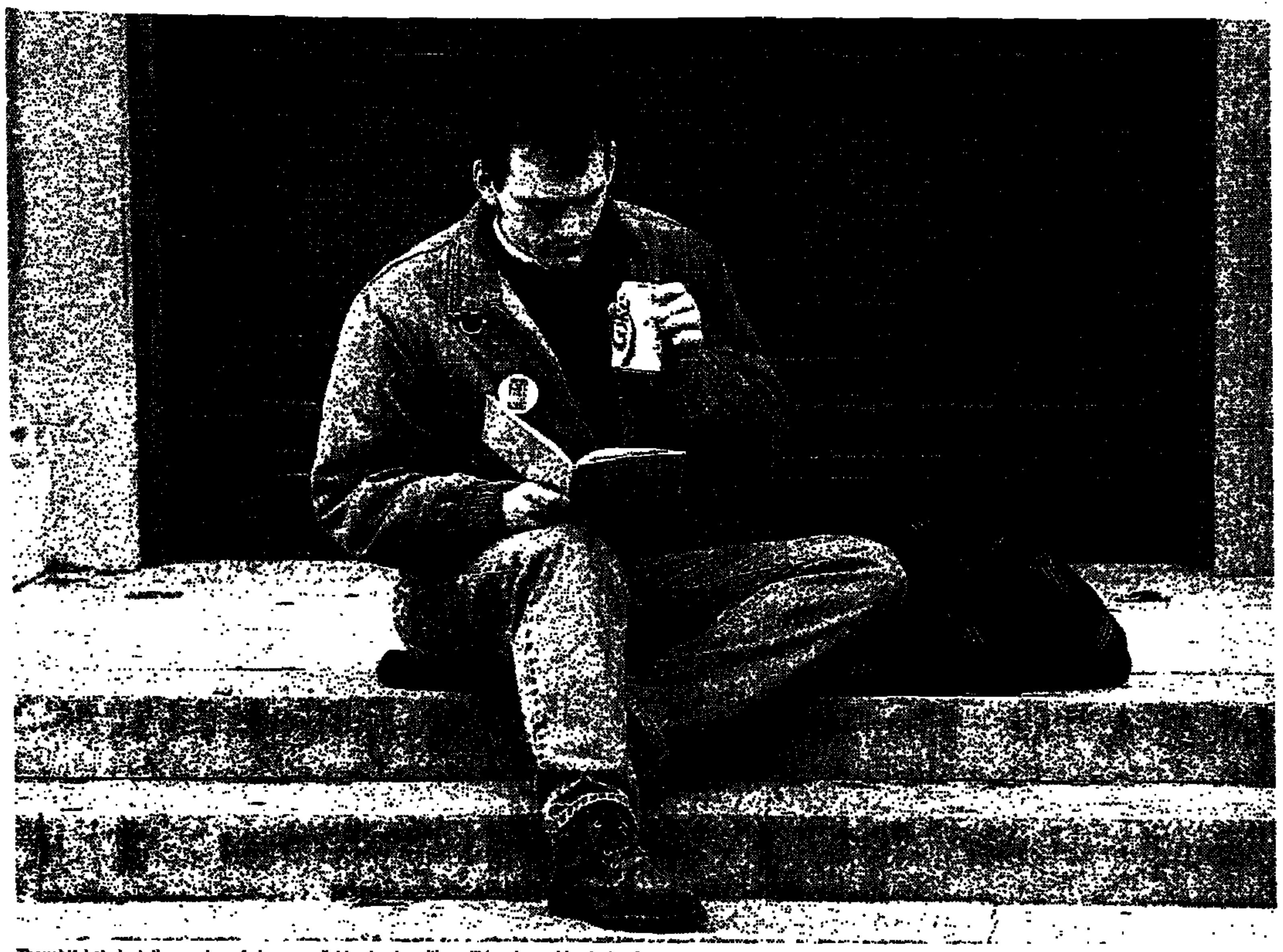
Ravaged emotionally and culturally this century, Czechoslovakia nevertheless escaped the physical destruction which afflicted most other countries in the region and saw entire Polish cities, such as Warsaw, razed.

Ironically, 50 years of communism preserved hundreds of medieval, renaissance and baroque towns and villages in both the Czech and Slovak republics as the philistine communist leaders let the old centres decay.

These jewels are now being refurbished, repainted, regilded and polished – and millions of foreign tourists are flocking to see them. The Czech republic's stable currency, growing reserves and healthy current account surplus would not be possible without the billions of dollars spent by tourists to Prague and the famous spa towns such as Karlovy Vary (Karlsbad).

As central Europe prepares to celebrate the fifth anniversary of the domino-like collapse of communism in the last half of 1989, the explosive growth in Czech tourism and the emergence of service-orientated companies shows how far economic transformation has progressed – and how one of Europe's most repressed countries is managing to regain its wealth and self-confidence.

SCHOOLS



Thoughtful student: the number of places available at universities will be almost identical to last year Trevor Humphries

A search in uncharted seas

***John Authers** on how best to navigate the new university admissions procedures*

If you are about to put yourself through the clearing process to apply to a university, you should first know the good news – statistically your chances of getting a place are just as high as they would have been last year, when admissions to UK universities were their highest ever.

The number of places available from universities will be almost identical to last year, while the number of people applying appears also to be much the same.

Overall, this year's A-level results suggest that the grades required to win a place will be barely any higher than last year – the number of A-level candidates dropped by 0.4 per cent, but the proportion passing increased by 1.8 per cent, adding up to an increase in the numbers with grades good enough for university.

The bad news is that you will have to navigate uncharted waters before finally finding a place. And while the overall picture, as outlined above, looks no worse than last year, the course which most interests you may well have experienced a sharp increase in applications.

A brand new university clearing system is in operation – the Universities and Colleges Admissions Service – which merges the old separate admissions services for universities and polytechnics. For the first time, all degrees and higher national diploma courses must be applied for through the same system.

Stay by your telephone if you are a university aspirant

That means the tactics you need to adopt to get a place are slightly different from previous years.

What are the changes?

Last year, UCCA, the old universities system, asked you to apply to up to five courses, while PCAS, which covered the former polytechnics plus other higher education colleges, allowed up to four choices. You could apply to both, giving a possible maximum of nine choices. However, only 53 per cent of candidates chose to apply through both PCAS and UCCA.

This year, UCAS allows eight choices, and the average number of choices by each applicant is around seven. So universities have had to cope with far more applications than last year, even though the number of people looking for places is roughly unchanged.

How will it work out?

No one knows. But Tony Higgins, joint chief executive of UCAS, offers one theory. He noted far more applications to institutions which ask for quite difficult A-level applications, and "very sizeable" increases in the numbers applying for less-demanding institutions, such as colleges of higher education.

The reason, he thinks, is that with a broader choice, applicants have selected both the places they truly aspire to, and colleges which offer them some "insurance" of getting a place. As a result, some of the less prestigious, but still excellent, universities may have more places on offer for clearance than usual. But institutions which normally fill their registers during clearance might already be full.

This phenomenon already seems to have changed the tactics of many hopeful students. Advisers manning university helplines say that at the end of this week they were receiving more calls than usual from people who had better grades than their "insurance" offer, and were interested in "trading up".

It would be unwise to assume too much. As Higgins puts it: "Because there is no historical precedent to work on, admissions tutors do not know how many offers to make. In the past, they were able to get some idea of the ratio of offers they had to make to the number of places available, bearing in mind how many were likely or unlikely to meet the offer requirements. Now it is getting close to guesswork."

What should you do next?

This depends on how your A-levels went. If you satisfied the terms of your first-preference offer (what UCAS calls the "CF" offer) in full, or even managed better grades than the university had asked for, then you have nothing to worry about: the contract it made when giving you the conditional offer is legally binding.

The terms of an "insurance" ("CI") offer are equally binding. Note that the obligation is both ways – technically the offer binds you as much as it does the university, so attempts at "trading up" would be unwise.

Life becomes more ambiguous if you have narrowly missed the A-level point score your offers required. As many universities set high conditional offers this year, they may well decide to take you after all. It is worth phoning them, if you have not already done so.

Universities must send all their decisions on both CF and CI conditional offers to UCAS by Friday this week. Barring postal delays, you should have a decision by August 30 or 31, immediately after the bank holiday.

If the news is bad, and you still want to go into higher education next year, then you will have to enter clearing.

What is clearing?

Instructions on clearing will be sent to all those without a place from Monday onwards, and if you are eligible, you should have received all the necessary documents, including the clearing entry form by the end of this month. Vacancies definitely available through clearing will start being advertised from Wednesday this week.

The form is vital. Having identified vacancies, you will need to contact the university department concerned directly, either in person, if that is feasible, or by telephone. You will need to quote your clearing number, listed on the form, to prove you are eligible.

If the admissions tutor is interested, you must then send them your form. To ensure that you are not being formally considered by more than one institution at a time, you have to send them your original clearing entry form, and not a copy. Again, ideally you should do this in person.

If you are unlucky, the clearing form will be returned to you, and you must start the process again. Most university courses do not start until October, so this could last a month.

It is hard to imagine a more stressful process, but 44,000 people successfully won places through it last year, with the odds that even more will do so this year.

Whatever happens, stay by a phone.

Extra sources of information:

■ Clearing the Way – Getting into University & College through the UCAS Clearing System, *by Tony Higgins. Trotman & Company, 12 Hill Rise, Richmond, Surrey TW10 6UA. £5.95.*

■ *Channel 4 Text is broadcasting a regular update of all the vacancies on offer on pages 644-648.*

■ *Useful telephone numbers include: UCAS (0242-222444), and the BBC freephone helpline (0500- 505050, until August 26).*

From angst to anthropology

***Marilyn Bentley** looks at the value of time-out after A-levels*

For many British 18-year-olds, August is the cruellest month, when two As can mean the difference between a course in anthropology and one in advanced-level angst. It is no surprise that increasing numbers of school-leavers prefer to take time out after A-levels, before the next stage of their education.

The self-reliance and maturity gained in a well-spent "gap-year" can stand young people in good stead whether they go on to academic study or directly into employment, and at 18 they can still afford to be adventurous.

Rosamund McDougall edits *The Gap Year Guidebook* (Peridot Press, £7.95) and says: "There is no question about the favourable response of universities towards young people who have done something other than straightforward school studies." Her book gives a cross-section of opportunities available for travel, short-term employment, voluntary projects, and additional training, from the practical to the exotic, but McDougall emphasises the importance of sensible preparation. Planning effective use of the time requires application and, as with the selection of a higher education course, it pays to begin researching early.

It is easy to be carried away by romantic images. Voluntary work in developing countries and long-distance expeditions have a strong appeal to the idealistic young, and some charities will make good use of student labour.

Health Projects Abroad channels aid to Tanzania through a volunteer scheme, on which students could find themselves building medical facilities, bricklaying, or plastering alongside local workers. Volunteers are expected to raise £2,450 in sponsorship money to cover travel, subsistence and insurance, plus a contribution towards the programme.

Schemes such as this provide indelible experience for participants. But they are not for the faint-hearted.

Regardless of the reputation of the agency or charity chosen, students must do their own homework. McDougall also advises scepticism about environmental expeditions to remote and sometimes hostile regions. Some organisations are merely travel agencies offering thinly-disguised eco-tourism. The Expedition Advisory Centre at the Royal Geographic Society, Kensington Gore, London SW7 publishes *Joining an Expedition* (£5), a helpful guide for those with a genuine interest in fieldwork.

Studying French in Antibes sounds a more conservative option than protecting African Pangolins in Zimbabwe, but it can pay dividends. Katherine Brand, who runs Cultural and Educational Services Abroad, finds that gap-year students are demanding longer language courses, with a recognised qualification at the end.

Young people understand the value of languages as a core skill, and are more serious about acquiring them. "It used to be 'let's rush off to India'," Brand says. "Now they want to study, not just for fun but to help their CV, and because they won't have the chance to work on their languages until after their main course of study."

French is still by far the most popular option for native English speakers. The *Diplome d'Etudes de Langues Française*, a public examination recognised by the French Ministry of Education, offers an all-round grounding in French and takes, on average, 12 to 18 weeks to achieve.

The diploma is made up of six unit credits which may be taken singly or in combination at each examination session, and students who do not pass all the units while in France can retake in the UK.

Using a gap year to enhance or acquire a skill can help finance travel later on. Leith's School of Food and Wine runs cookery courses for people who want to work in ski resorts, on yachts or in private villas.

There is a four-week beginners' course (£1,140) covering basic cooking techniques, and more demanding courses of 10 to 11 weeks at beginners', intermediate and advanced standard. They can be taken singly or in combination.

The 11-week beginners' course (£2,575) would prepare someone for ski chalet work. The intermediate level (£2,835) teaches more sophisticated cookery and includes some experience of ordering, costing, and cooking for large numbers. Students can also do placements in restaurants, and work on large charity functions for 300 to 400 diners.

The advanced course (£3,000) introduces students to catering management and service, as well as more exotic cuisine. There are practical and written exams at the end of each course. The full year's tuition for Leith's diploma in food and wine costs £7,500.

Young people are unlikely to encounter ski slopes or *boeuf en croute* through Community Service Volunteers, but working for the benefit of the community brings its own satisfaction. Volunteers may find themselves working in hospitals, schools, or community projects, or assisting disabled people to live in their own homes. They receive £22 per week pocket money plus board and lodging.

Information:

■ *Health Projects Abroad, HMS President, Victoria Embankment, London EC4Y 0HJ.*

■ *Cultural and Educational Services Abroad, Western House, Malpas, Truro TR1 1SQ. Tel: 0872 225300*

■ *Leith's School of Food and Wine, 21 St Albans Grove, London W8 5BP. 071-229 0177.*

■ *Community Service Volunteers, 237 Pentonville Road, London N1 9NJ 071-278 6601.*

مكتبة الأصل

How green is my trolley

Peter Knight offers some environmentally-friendly advice to shoppers

You are about to choose between two premium brands of ice cream. One has an odd name, is heavily promoted with advertisements dripping sexual innuendo and the company is part of the Grand Metropolitan conglomerate, the chairman of which is on the management committee of the Conservative Party.

The other ice cream is packed in a folksy tub, it is called Ben & Jerry's and it comes from "family" farms in Vermont, in the US. Ben and Jerry (real people) are multi-millionaire former hippies who listen to Grateful Dead and give 7.5 per cent of their considerable profits to charities. Which do you choose?

Shopping has become a nightmare for those with a social conscience. It is especially hellish for those who see their purchasing power as a political tool, used to bring about change.

Everything from clothes (Esprit and others), household goods (Traidcraft), coffee (Cafe Direct), toiletries (Body Shop), DIY (B&Q and others) and meat and eggs (Freedom Foods from the RSPCA) are now promoted for being more than just another product.

The problem was highlighted this week with the news that a US ethical investment fund had recommended holders of Body Shop shares to sell before the appearance of an article critical of the company's environmental claims.

But how do you know whether the assertions made in this hug-a-tree-today-style marketing are genuine or particularly cynical attempts to use our guilt to sell their products?

Attempts have been – and are being – made to come up with universally-accepted environmental labels but progress is snail-like.

The EU launched an eco-labelling scheme last year but it has only agreed the criteria for one set of products – washing machines. Plans to issue labels for products including hair sprays, light bulbs, paper and soil improvers, have been stymied by disagreements on the criteria, bickering between member states and failure to promote the scheme.

The UK has stuck to the original plan to work with the European Commission on a Europe-wide scheme, but other countries, such as France, are developing their own national labels in tandem with the EU. Germany's Blue Angel label, which existed long before the EU launched its scheme, continues to provide the only wide-ranging set of labels within the EU.

The process of determining the environmental credentials of a product is perplexingly difficult. Vast amounts of information about the product (source of original materials, the production process, amount of energy used, type of packaging etc) has to be collected and the environmental good weighed against the bad.

For most products this balancing act demands subjective judgments on weighting. For example, is a locally-made product (less transport) better than one from abroad, even if the imported product is made with cleaner technology?

The fashion business is finding it particularly hard to agree on what fabrics are environmentally superior to others. For example, the belief that natural products, such as cotton and wool, are better than synthetics may be misguided.

The intensive farming of cotton is environmentally destructive because it uses large amounts of water (the disappearance of the Aral Sea in the former Soviet Union is largely due to cotton irrigation schemes). Large amounts of insecticides and pesticides sap the soil of nutrients and often displace much-needed food crops in developing nations. Processing cotton consumes energy and pollutes the air and water. Much the same can be said for wool.

Oil-derived synthetics (nylon, polyester etc), it can be argued, might come from a non-renewable resource and might need a lot of energy to produce, but they cause less water pollution (because they absorb dyes easily) and can be easily recycled.

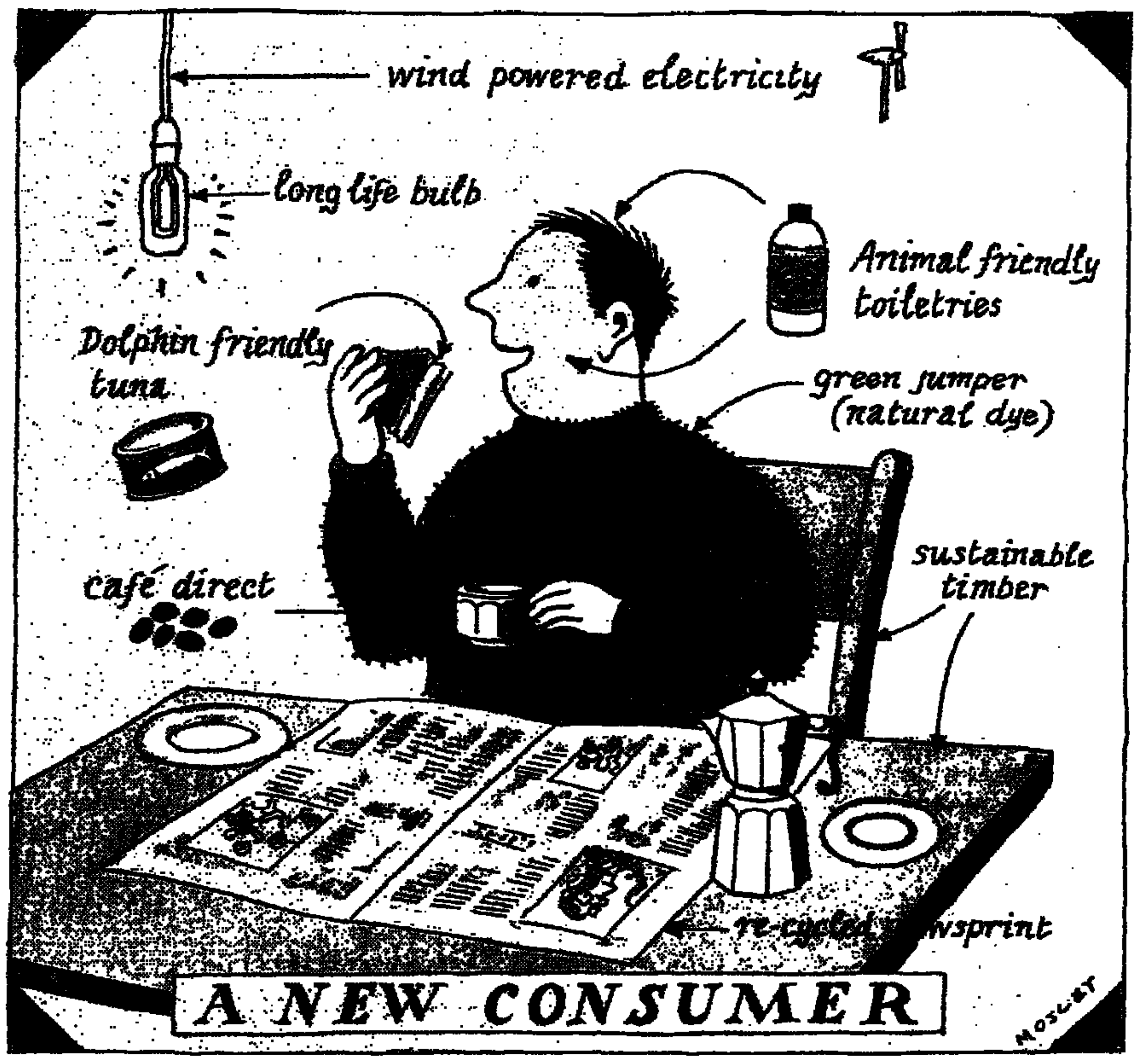
Wood-based fabrics, such as viscose, are often trumpeted as environmentally sound, but much depends on where the trees come from, how well the forests are managed and how clean the production process is. There are no simple answers.

Until an accepted labelling system is produced, all assertions should be viewed with a great deal of scepticism.

Some recommendations:

■ CLOTHES. While the fashion business is one of the world's largest employers, the production of clothes causes serious pollution and consumes many natural resources. Problems include agrochemicals (cotton and wool), use of energy and non-renewable resources (synthetics), pollution from dyes and chemicals used in processing, emissions from energy generators, and the exploitation of under-age labour.

Environmental and social issues now occupy an important position on the business agenda of the fashion market, instigated mainly by innovative companies who are genuinely responsible but who also see market benefits from getting out in front.



Esprit, the fast-expanding Californian company has developed – through genuine efforts – a sound reputation for being socially and environmentally responsible. It has begun to integrate environmental issues into its design and production, using organically-grown cottons, natural dyes, recycled materials and clean technology.

Marks and Spencer might not promote its products on environmental grounds but it does insist that suppliers conform to a range of strict environmental, social and health criteria.

Other high-street names, such as Hennes, Next and Principles offer eco ranges (such as unbleached cottons) and there are smaller companies, such as Evolve and Disappearing Earth, which promote products on environmental grounds.

Without an environmental audit, however, it is difficult to differentiate between companies making genuine efforts to become environmentally sound and those which are merely testing – or exploiting – the demand for green products. Ask suppliers offering eco lines for their environmental policy and evidence of its application.

■ TOILETRIES Body Shop sells natural cosmetics and toiletries worldwide. It is easy to be cynical about this maverick – and sensitive – organisation that behaves more like a pressure group than a traditional business. But even in the light of the criticism made by a US ethical investment fund this week Body Shop has shown that it is possible to be socially and environmentally innovative and profitable.

Boots, while unable to compete with the Body Shop's overall image, is a responsible manufacturer and retailer. Among large UK companies it has pioneered a far-reaching environmental policy which affects all stages of its manufacturing and retailing. It still has a long way to go, but Boots has made far more progress in areas such as packaging, recycling and raw material sourcing than its competitors in the toiletries sector.

■ HOUSEHOLD/GIFTS "Trading for a fairer world" is the motto of mail-order company Traidcraft. Based in Gateshead, Tyne and Wear, it sells goods from developing countries. The company sources its stock for a fair price and encourages entrepreneurial activities in undeveloped countries, similar to Oxfam. Traidcraft offers three catalogues: paper and cards, alternatives (clothing, jewellery and accessories) and interiors. (Tel: 091-491 0591).

■ COFFEE Small coffee producers – all in developing countries – are among the most exploited groups of farmers, reliant on the unpredictable world coffee market. Oxfam and other charities sell coffee direct through their stores and health shops. But until now these efforts failed to win a wide enough distribution. Cafe Direct was launched in 1992 by a group which includes Oxfam Trading, Traidcraft and Twin Trading (tel: 071-628 6878). It has managed to get prized space in most supermarkets.

■ DIY and TIMBER Wood can be produced without damaging the environment. Attempts are being made to introduce certified labels but progress is slow. The World Wide Fund for Nature has signed up 24 companies in the UK who are committed to selling timber and wood products from sustainable sources by 1995. B&Q, Do-it-All, Homebase and Texas Homecare are among the WWF 1995 Group.

■ ANIMAL PRODUCTS The RSPCA has launched a label called Freedom Foods, guaranteeing that meat and egg products bearing it have been produced following a strict animal welfare code. The label is on pork and egg products in Tesco and the Co-op, but will be extended to more stores and other products.

Finally, what is the right choice for the ice cream shopper? In the UK, buy Loseley: it is just as good, if not better than, other products. It is cheaper and it is made locally (no long-haul transport) with good ingredients by a respected company. Some shopping decisions are just so much easier than others.

■ *New Consumer Briefing, published by New Consumer, researches the social and environmental performance of companies. Subscriptions are £15 (£25 corporate) a year. Tel: 091-272 1148.*

Me and My Wardrobe

The body as billboard and palette

***Jane Mulvagh** meets art consultant Fausto Calderai who dresses to show clients his discretion and taste*

Imagine Art-World Man: surely a dyed-in-the-wool aesthete? Scrutinising a Donatello bas-relief he is surely a veritable work of art in himself. Perhaps he wears a three-piece suit in dove-grey, shot with lilac? It is cut from a vicuna-mink super 120 cloth and its high waist is undoubtedly styled a little too emphatically. His lavender silk shirt, buttoned in blonde tortoise shell, is fastened at its promiscuous cuffs by links set with Mesopotamian curios. His delicate, mauve-gloved fingers probably lean on a cane carved from a narwhal tusk topped with a hand-painted glass eye.

Dream on! Sadly, the average Art-World Man cuts an unmemorable figure. In spite of being surrounded by a richness of aesthetic stimuli, he tends to subscribe to one of two visually bland dress codes: the formulaic conservatism associated with lawyers and civil servants or the thigh-slapping "wit" of bond dealers and TV personalities who guffaw over loud ties and conversation-piece cufflinks from Tiffany and Cartier.

Fausto Calderai, an art consultant in his late 30s, steers between the two. His Anglepoise lamp figure is clad in matt wool and reminds me of the centenary-celebrating images we have recently seen of Aldous Huxley's beautiful attire. Calderai's sartorial efforts are widely acknowledged – last year he was selected as one of the "exhibits" in the self-laudatory exhibition organised by the Italian fashion body Pitti Immagine, entitled "One Hundred Years of Italian Male Elegance".

Calderai's style communicates sobriety but not temperance. His slender, dry-wool suits are easy on the eye and apparently unremarkable until closer inspection yields pleasing details. The fine electric-orange thread lighting up the grey cloth of his suit, like a kinetic flicker dancing across a flat *grisaille*, and the shaved tufts protruding from his plain white cotton shirts, are virtually undetectable as he strides by along Bond Street.

You will not catch him wearing a "daring" Jeremy Paxman tie, or a "novelty" waistcoat. "They don't work," he says emphatically. "They highlight a part of your body when the whole figure should be a mélange which is harmonious to the eye. And if you're tall [more than 6ft 6in] they look ridiculous." His other pet hate is baggy clothes, on men or women.

Calderai runs a Florence-based art consultancy which offers independent valuations. He advises, rather than trades and enhances his scholarly reputation by occasionally writing articles and books on furniture made by architects and artists.

His dress is extremely measured, for he regards it as an eloquent communicator to his potential clients. He strives to project a balance between discretion and aesthetics.

"The typical client wants a valuation on house contents which will be split between the heirs, for in Italy we don't have primogeniture. As most of my clients are afraid of academics and wary of dealers, they will turn to consultants."

Compromise between elegance and practicality is his goal. Passing many hours in private homes, rather than public places, he must melt into the setting and take part in their social occasions.

One moment he will be crawling on his hands and knees across a parquet floor to inspect the underbelly of a table, the next scaling a step ladder to reach a painting hung high up under the ceiling of a *quattrocento palazzo*. Roomy pockets are essential for a lens, a measuring tape and a notebook. Dry wools from English mills serve him well as they do not look shiny or creased after a few climbing or crawling sessions, and he prefers their dated mood. He loathes the faddish taste for cashmere – coats, jerseys, socks – which he thinks are both impractical and expensive.

He keeps his luggage modest, for "it would be considered far too vain to turn up at a house with too many suitcases".

Unlike British professional clothing, in Italy it is incorrect and overdressed to wear a dark suit and black shoes in the morning, so Calderai wears dry brown or grey suits, with a matching, high-buttoned waistcoat and brown shoes for the day, and the same suit, with a low-cut waistcoat and black shoes for dinner.

Most of Calderai's suits are made to measure by Di Preta whom he considers superior to the better-known Italian tailor Caraceni because he prefers his suits cut relatively close to the body and "unstructured so they follow you easily. I don't like very structured suits with big shoulders – like"... sniff, sniff... "those body guards you see in Los Angeles."

He despises the florid and attention-seeking style of many, typically Italian, art dealers. "They look like shop window dummies aping London or New York gents," he says. He allows himself two areas of "fantasy" – coat linings and cufflinks.

Calderai's cufflinks are by and large costume jewellery rather than family heirlooms: characters from Disney, lewd parts of the anatomy by Vivienne Westwood, kitsch from the 1950s. Pride of place goes to a series of silicon cufflinks made by the Spanish artist Joaquin Blanco in the shape of insects. The delicate turn of his ankle is caressed by knee-high socks so fine that you can almost count the freckles up his instep.

Calderai is also opinionated about women's wear. Emphatically out is the modern taste for all-black: "It can't be beautiful if 99 per cent of women look the same. It's a kind of security and they all end up looking like shop assistants which is rather sad."

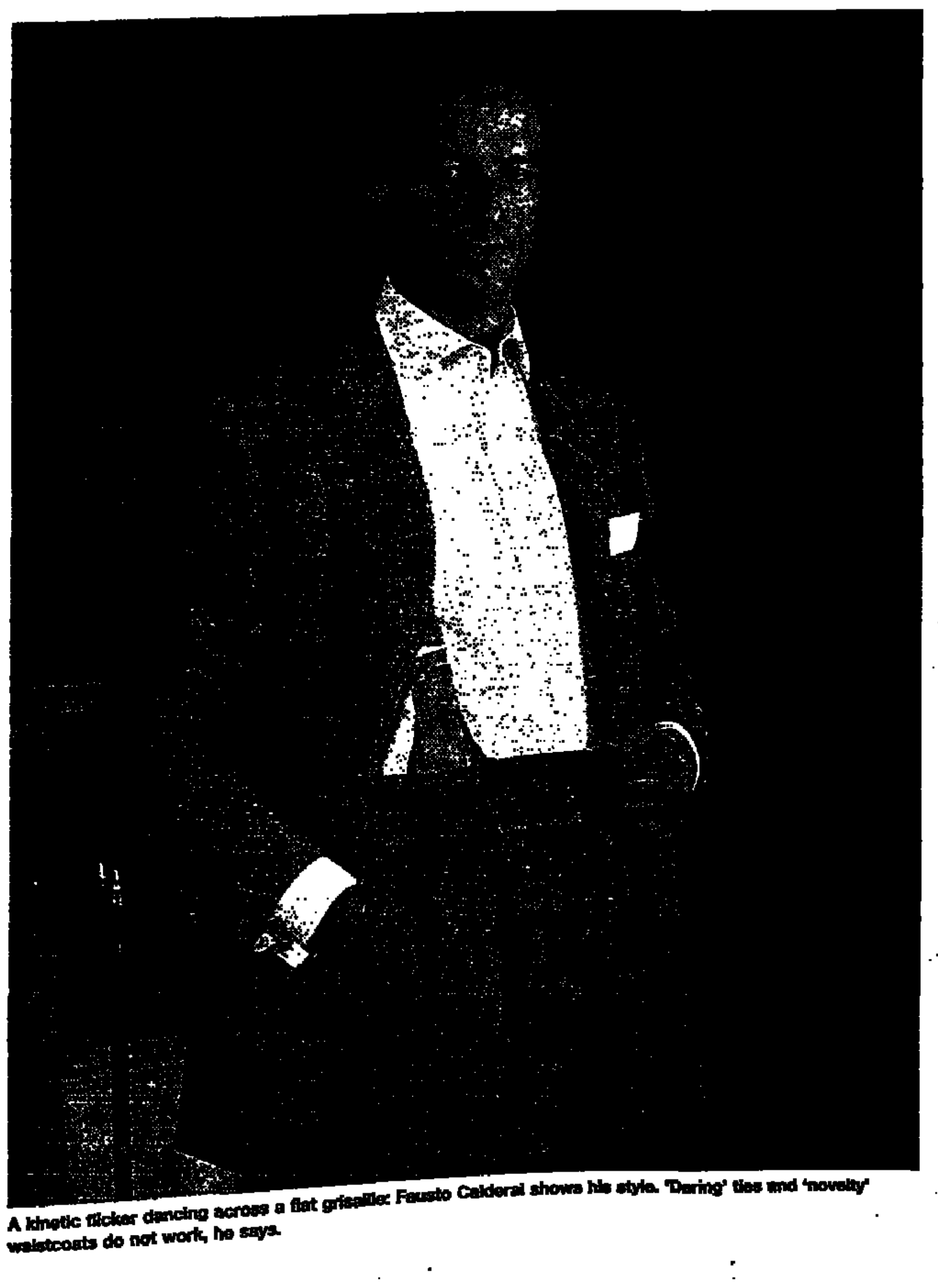
Other hates are big furs, though he is not an animal rights supporter, flat shoes – "so sad and unfeminine, don't you think?" – and the fad for going about stocking-less in the city because "I just think that a woman without stockings doesn't care and looks dirty".

His biggest criticism of Italian women is their taste for too much gold jewellery during the day and "those awful tailored gilt earrings favoured by so-called smart Americans". He loves feathers – "a woman in feathers, wow!"

His advice for a young professional man starting out with a limited budget is to seek good quality second-hand clothes and to have one or two well-made classic suits.

"Have very few things. The most difficult lesson when you're young is to stop buying bits and pieces – you need very few things. Only buy what you really love and wear it all the time. I still wear the two suits I had made when I started out – one of them is my favourite."

There they hang, 18 years later, alongside a dozen others in his dressing room which is styled like a faux-Regency shrine to external sensibilities.



A kinetic flicker dancing across a flat grisaille: Fausto Calderai shows his style. 'Daring' ties and 'novelty' waistcoats do not work, he says.

Ready to cope with climbing and crawling sessions: Tyrolean jacket, striped trousers (Barney's, New York) and Hermès tie

TRAVEL

Bitter truth behind a Bolivian beauty

Nicholas Woodsworth visits Sucre, a charming town in the Andes. But four hours up the road is one of the most hellish places on earth

There is nothing, during a stretch of hard travel, like unexpected delight. I had grown weary. My brain was joggled, my bottom numb. Who expects charm and civilisation hidden in a fold of the Bolivian Andes hundreds of miles from anywhere? The town of Sucre took me entirely by surprise.

What, I wondered, as I strolled into a sunny central plaza from the bus station, could have provoked such elegant building so long ago in such a distant place? For Sucre, even to the untrained eye, is a city of great age.

I spent an hour parked on a bench, relaxing in the balmy atmosphere of the Plaza Veinte-cinco de Mayo. It is named, like so many squares and boulevards in Latin America, after the outbreak of a revolution. Sucre's revolution was no ordinary banana-republic bunfight, though. It was, in fact, the mother of all Latin American revolutions.

On May 25, 185 years ago, a call to revolt rose from here that was to echo across Spanish America. Taken up by the "Great Liberator", the military genius Simon Bolivar, it was to lead in a few turbulent years to the independence of half the continent.

But it was not a dream of revolution that kept me sitting so long in reverie. What absorbed my imagination, rather, were the remnants of pre-independence Bolivia. From my bench I gazed out above the white walls and wrought-iron balconies overlooking the plaza. Here, amid statues and fountains, spires and towers, was a wonderfully mixed collection of colonial architecture – everything from renaissance palazzi to baroque cathedrals to neo-classical administrative buildings.

In fact, as far as Sucre is concerned, independence was just yesterday: less then 50 years after Columbus sailed to the new world, the Spanish colonists of Sucre were building San Lorenzo, the first of the city's 24 imposing churches.

Sucre today is little more than a provincial town hidden away in a fertile Andean valley. It was not always so. In the mid-1500s Phillip II of Spain named La Plata, as it was then called, as his *Audiencia* – the administrative capital of what today includes large parts of Paraguay, Argentina, Chile, Peru and Bolivia.

By the early 1600s La Plata was accorded the theological autonomy of an archbishopric; by the 1620s Spanish Jesuits had built the University of San Xavier, one of the earliest in the Americas.

Sucre has been a sophisticated place of culture and learning for a long time. It still is. I enjoyed strolling through monasteries, convents, churches and palaces from the distant past. Equally, I enjoyed the youthfulness to which Sucre's antiquity now forms a backdrop. Today the biggest business in town is education.

Behind Sucre's white-washed walls, in delightful flowered cloisters and courtyards, student life goes on apace. There are dozens of faculties, institutes, seminaries, colleges and schools scattered about the town.

What could be more agreeable, I thought, as I strolled about the Plaza in the cool of early evening? On the benches among palms and citros trees pretty, dark-haired schoolgirls in white uniforms sat chatting and laughing, their books forgotten. In the cafés around the square groups of young men and women ate, drank and whiled away the hours.

Young couples, oblivious to the world, strolled hand in hand past the cathedral. I tried to imagine it all 300 years ago. It would not have been that different. Learning was one thing, but Sucre was also a place made for pleasure and relaxation.

One question still bothered me. What had kept it all going? What purpose did colonial La Plata serve the Spaniards? You do not build a sophisticated centre of civilisation on a distant continent hundreds of miles inland along difficult mountain trails for no reason. The next day I asked Ivan Escobar, a Bolivian Indian graduate student who was showing me the marvellous green-tiled monastery of San Felipe Neri, to explain.

Like most Indians, Ivan – his militantly Marxist father gave him a Russian name – is bitter about Spanish colonial history. "Behind these tiles," he said as we stood in the bell tower and looked out over the sun-splashed roofs of the city, "are stone blocks from the mountain-side. They were brought by Indians who were told by Spanish priests that each time they brought a stone to build the church God would absolve them of a sin.

"But the Spanish did not come to relieve us of our sins. They came to relieve us of our wealth. You have to look no further than the name of this city to know how and why it was made. In Spanish, La Plata means silver."

He turned to the south side of the tower and pointed to the high Andes. "Four hours up the road is what is left of the largest silver mine in the world. If you want to see the other side of Spanish colonial culture, go to Potosi."

In *The Time Machine*, H.G. Wells portrayed a world inhabited by two races of humans. One spent its whole time in pleasant surroundings in the pursuit of leisure; the other laboured unceasingly in horrifying workshops deep under ground. Visiting Potosi after my stay in Sucre, I could not help thinking I had entered Wells' world.

I arrived in Potosi late at night, filthy with the dust of untarred mountain roads. At 13,000ft, Potosi is the highest city in the world, as bleak and distant and uncomforting a place as you will encounter. Drizzle began to fall and the thin Andean air was raw as I set off down long, empty streets to find a hotel.

Great roughly-cut stone cobbles glinted in the light of occasional street lamps. The houses on either side, their plaster façades stained and peeling, were tightly barred and shuttered. There was still a shop or two open; under weak light-bulbs dark-skinned Indian women sat huddled in blankets beside mean little stocks of merchandise.

Once I tripped over a small child defecating in the gutter. Two drunks stumbled by, dragging a third. By the time I found a room I was feeling too desolate to inquire about dinner, but pulled the blankets over my head and went to sleep.

From my window the next morning I could see the Cerro Rico – the Rich Mountain – a great naked red cone of rock looming over the city. By 9am Marco Mamani had assembled a small group of tourists like myself opposite the thick-walled and fortress-like Moneda, the old royal mint, and off we set for the Cerro Rico.

Marco now makes his living showing visitors over the mountain, but in the past he worked there as a miner and knows the life only too well. Small presents for the miners we would meet in the Cero Rico, he told us, would be greatly appreciated. We stopped at one of the shops that line the steep streets leading to the base of the mountain. Leaning against the walls and piled in crates were shovels, pick-axes, helmets, rubber boots, hammers, chisels and dozens of other implements of the miner's trade.

"What would you advise as a gift?" we asked Marco.

"Oh, dynamite and coca leaves are what they like best," he replied. It sounded quite a mixture. I bought six sticks of one and ½lb of the other.

If the 12,000 Indian co-operative miners who still work the Cerro Rico sit outside and chew huge wads of coca leaves for an hour or so every day before going to work, it is because the shafts and galleries and rock faces of the Rich Mountain are too awful to face entirely sober. A great seething ant-hill, this must be one of the most hellish places in the world.

Down we plunged into the bowels of the earth, Marco leading, we following by the light of the lamps mounted on our borrowed helmets. The galleries of the Cerro Rico are low and narrow, and lead up and downwards through 10 levels at impossibly steep angles. Some of our progress required feats of alpinism, the kind that requires diligent searches for toe and fingerholds.

Yet we passed men, bare-chested in the heat of the mine, hefting 100lb loads of ore up these slopes. They use nothing but dynamite and the type of primitive tools used in the Middle Ages; there is no mechanical equipment.

The biggest risks are invisible: silica dust, asbestos fibres, arsenic and other toxic gases, acetylene vapours, the trapped by-products of mining detonations. Silicosis is almost universal; the average life-span of a Potosi miner is 40 years.

And what is it all for? Today, the rich seams gone and the mine virtually worked out, miners earn about $3 a day. For nearly three centuries, though, beginning in the mid-1500s, the mine's production was legendary.

"I am Potosi, treasure of the world and the envy of kings," read the city's imperial coat of arms. By the end of the 1600s Potosi was the largest city in the Americas, its population comprised mostly of mine slaves.

Many who made their fortunes in bleak Potosi lived in lush Sucre. The silver mined here and minted at the Moneda was carried by llama-train down the long, tortuous Camino de Plata, the Silver Road, to the Pacific port of Arica. The silver not pirated by English buccaneers on its way home made the wealth of the Spanish empire.

The cost in human terms was appalling. Indian and African slaves remained in the mine for months at a time, eating, sleeping and dying underground. At the bottom of the mine, Marco showed us a frightening man-sized bust of Tio, the powerful underground devil whom miners propitiate with gifts of coca, cigarettes and alcohol.

It is no accident that his face and beard are those of a Spaniard. It is estimated that under Spanish rule 8m men died in the mines of Potosi. Today, in recognition of its tragic history, the city has been recognised by Unesco as a world heritage site.

A few days later, I was back in the warmth and comfort of Sucre. The 12 carved stone apostles on the tower of the cathedral appeared just as splendid as they had before. The courtyards of the university looked equally as pleasant. But I was not entirely at ease. I was seeing them in a different light.

The desert is waiting

John Westbrooke sets out on a camel in Morocco and discovers the real reason for visiting the sand dunes

M'hamid is the end of the world. The road peters out as it arrives; side streets are no more than dusty alleys. The buildings are low and made of mud brick. There is a hotel, but no water or electricity. Against the wall of the last house in town, the sands of the Sahara pile up in waves.

M'hamid is Moroccan, and has seen use as a garrison town, but the borders in this region are unfixed. Algeria is nearby, probably within 30 miles. In truth, there is only nothing out there – all the way to the Nile.

We had set out, rocking wildly, on camels. Lolling along on big flat feet, the animals bore no stirrups, which proved painful to our inside thighs until their driver suggested we sit forward on the saddle, our legs crossed around the pommel, our ankles resting on the dromedary's uncomplaining neck.

The ride was still bumpy, but less of a strain to underused muscles; this is how the pros do it. Round our heads, to keep out the sun and dust, we wrapped fine scarves.

After three hours of this and lunch prepared fresh in the shade of the only tree for 10 miles, we were getting used to our mounts when our hosts decided we were not going fast enough to see the *real* desert – the sand dunes – in the limited time we had, and called up 4WD vehicles to take us to M'hamid and beyond.

A few hours looking out of their windows demonstrated that even nothingness comes in different varieties. Some desert is level and stony. Some is almost green, with bushes holding hillocks of sand in their roots. Some is boring – scrubby little plants that would not feed a camel, soft sand that slows driving to a crawl, featureless flatlands under a clear blue sky.

The sun was fading when we arrived at the dunes, but sure enough, this *was* the real desert, the way it appears in our dreams. Beyond the great, shadowy, wind-driven curves of sand it was easy to imagine Lawrence of Arabia, Ali Baba, Fort Zinderneuf, all out there somewhere.

The sky darkened, shooting stars hurtled overhead, the night became chilly. While we huddled round a brushwood fire, our drivers whipped up another meal on the spot: Berber bread kneaded and risen and cooked over hot stones, salad, *tajine* (meat and veg baked in earthenware pots) and slices of orange dusted with cinnamon, all accompanied by Moroccan red wine. Many visitors, it should be said, also rate the local hashish as a tourist attraction.

At the end of a chilly but romantic winter evening (summer is impossibly hot, spring and autumn are the best times to come), we went to bed in a bedouin tent, fully-clad, under thick blankets, with a glimpse of the big night sky through an open flap.

The next night we spent in the expensive Royal Mansour Hotel in Casablanca, several hours' driving and flying away. Its comfort seemed like a mockery of the previous night's austerity, but both are authentic aspects of Moroccan life. The country's interior may be empty sands, but the coastal strip is green and fertile, and home to the imperial cities of the country's gilded Moorish past.

Casablanca is nothing like the film, which was shot in Hollywood. The reality is a bright, white port city with – newly opened on the seafront – the world's second biggest mosque after Mecca; unbelievers may not enter it. The town has none of the movie's mystery.

In search of seedy nightlife we went to a disco. It felt like all the discos in all the towns in all the world, circa 1972, except that boys danced with boys and girls with girls.

Marrakesh and Tangiers are closer to the exotic Araby of our dreams, but both are well used to tourists; you cannot even take off a lens cap in Djemaa el-Fna square in Marrakesh without kids storming up and demanding money. For a different experience, try Fez, perhaps the world's last truly medieval city. A walk through its souks conjures up sights, sounds and smells which must have existed in London 500 years ago. And it is still startling to look at a map and realise that this headily oriental bazaar is actually five degrees *west* of Greenwich.

Between the coast and the desert is a third Morocco, the land of the High Atlas. There are three main passes through the mountains, good roads but liable to closure during winter snows.

There were a few small villages, tinged red by manganese in the soil, with women sweeping snow off the flat roofs, and scattered stalls optimistically offering rocks and fossils to passers-by.

In the foothills on the eastern side, though, some of these hamlets are spectacular, if forbidding. Tribal warfare meant until recently that towns had to be more or less fortified, so the streets are often lined with blank walls and overlooked by small towers. Standard procedure for besiegers was to divert a river towards their mud-brick foundations and wash them away.

There are several such villages – called *ksour* – grandly situated in the Todra and Dadès gorges, but the most eye-catching we saw was Ait Ben Haddou, just outside Ouarzazate. The houses spilling down the side of a small hill are mostly empty and crumbling, but their roof lines are decked out with machicolations like baby castles.

It looked like a Hollywood set. It *was* a Hollywood set. It has been used as a convenient background in films such as *Lawrence of Arabia*, but that much is common enough in Morocco: the *kasbah* (fortress) at Ouarzazate, for instance, became a brothel in *The Sheltering Sky*; the walls of Essaouira appeared in Orson Welles's *Othello*.

Part of Ait Ben Haddou, however, was actually *built* for the filming of *Jesus of Nazareth*. This was good news for the locals, who could now afford to move to a comfortable new village across the river. But for travellers it is a depressing thought. You come all this way through the snowy mountains and rocky valleys and you might as well be on the Universal Studios tour.

That, finally, is why you go out into the desert. Hollywood can build its own kasbahs for Schwarzeneggers to knock down. Some Morocco Disney will one day reproduce the imperial Moorish palaces, three-quarter size and cleaner, with popcorn stands. But what showman could build the sands? For that you need the wind and the sun and the hand of Allah.

■ *John Westbrooke was a guest of Inspirations Morocco (tel: 0293-822244), which offers city, beach, fly-drive and trekking holidays. A week split between the coastal resort of Agadir and a camel trek with two nights in the desert costs from £534.*

SPORT

*Football: **Peter Berlin** asks economists about transfer fees' logic, and **Jane Whitehead** shares pillow talk with West Ham's finance director*

Time to cash in the goal futures

This afternoon the big spenders of the English Premier League briefly put their cheque books away and pull their boots on for the first match of the new season.

The summer brought the usual riotous behaviour in the transfer bazaar. Blackburn Rovers broke the British record when they bought Chris Sutton from Norwich City. Sutton should play at Southampton today giving fans a chance to assess where balance sheet and team sheet meet. But what do economists make of the transfer market?

Kenny Dalglish, Blackburn's manager, paid £5m to Norwich City for Sutton, a converted centre-half. He has played just one season at forward and scored 35 league goals.

A few weeks later Tottenham Hotspur paid £2m, 40 per cent of the Sutton price, for German striker Jurgen Klinsmann. Sutton's salary is between £12,000 and £15,000 a week, plus bonnuses. Klinsmann is reported to be earning at least £15,000 a week. Sutton has not played for England; Klinsmann has played more than 60 games for Germany, has scored eight goals in the last two World Cups and collected a winners medal in 1990. Spurs paid for Klinsmann by selling Vinny Samways, a limited mid-field playmaker, to Everton for £2.2m. Does this make financial sense?

Dr Stefan Szymanski, lecturer in economics at Imperial College management school says football has an unusually efficient labour market.

"When you hire executives, you have very little opportunity to observe them working on a day-to-day basis and see the effort they put in," says Szymanski. "In the executive labour market there is very little correlation between pay and performance.

"But every week 20,000 people see players work. The price they attract is a pretty good reflection of the contribution they make. Players who command high salaries are recognised as great players."

The evidence, says Szymanski, is that spending money works. Clubs can buy success. "Position in the league is related to expenditure on wages and transfers: 88 per cent of variation in position in the league is explained by expenditure."

"Of course you can make mistakes," says Szymanski. "Managers lose money when they think they can beat the market, when they think they can spot a bargain. When you spend intelligently you will do well. Dalglish was not taking a risk when he bought Shearer [for £3.3m in 1992]. He should win the league on the basis of expenditure."

There are other considerations, too. Age for example: Sutton is 21, Klinsmann is 30. "You have to say age comes into it," says Dan Corry, senior economist at the Institute of Public Policy Research.

"Turnover of players is still quite low," says Szymanski. "If all goes reasonably well, you might expect Sutton to stay at Blackburn, whereas Klinsmann's contract is unlikely to be renewed."

Even if Sutton does not stay, he represents a sound investment, says Prof Tom Cannon, of Manchester University and Manchester Business School. Sutton is a goalscorer, like Shearer and is one of the few English players with the potential to interest Italian clubs. If he were to go to Italy near the end of his contract Blackburn could expect to reap a handsome profit.

There may be other costs for the clubs, says Kevin Gardner, UK economist at Morgan Stanley. "The cost of finance to clubs will vary. If you are a quoted company like Tottenham there is an external discipline on you. With Jack Walker [the club's owner] behind Blackburn there are lower implicit financing costs."

When playing in Europe, as Blackburn will be this season, there are limits on the number of non-English players in a side. Buying Klinsmann would have complicated matters for Blackburn, but not for Tottenham, who are not in Europe.

Furthermore, Manchester United, the only team to finish above Blackburn last season, have seven non-English first-team regulars. They must buy Englishmen. Dalglish would have known that Sutton was one of the few players United could pursue this summer.

Alex Ferguson, manager of Manchester United, had opened the transfer battles by luring David May, an English defender, from Blackburn. Could Dalglish have been aiming to hurt United and his other rivals with his cheque book? For £5m he has got two players: the one who will play for him and the one who will not play for United.

But, says Corry, that works both ways: "Then he could have wasted money twice: if he is useless you have wasted money and United would have had a useless player."

Pushing up the market makes sense, says Corry: "If you have the cash why not use it? You force the market up for everyone else."

This increases the pressure on other clubs. As Simon Briscoe, economist at Warburg Securities, says: "Sooner or later there will be a British or European super league. There is a desperate fear among clubs that they will be left out."

Cannon says football is unusual because many of its clubs, notably Blackburn, Manchester United and Newcastle, are highly liquid. He says that since Tottenham's disastrous attempt to diversify in the 1980s, clubs are wary of straying from football. So transfers and wages soak up most of the spare cash and the result is "hyperinflation in the domestic market and clubs look abroad".

This is not a uniquely English problem. "The prices move around the world," says Cannon. Three years ago, he says, the Italian league transfer fees leapt up. Before that it was France, led by Marseilles and before that Spain.

The only option for clubs who want to compete with Manchester United and Blackburn is to match their level of spending.

"When you spend enough you should win the league," says Szymanski. "In theory you should be able to calculate what it takes to buy the championship."

Football transfers, says Szymanski, work "like a perfect capital market. All the information is in the current price. That does not mean bad things, such as injuries, will not happen."

Briscoe disagrees. "Perfect market theory does not help you understand why Sutton is worth double the next person – there must be some imperfection in the system. You cannot give these players points. Athletics is the exact opposite – it is very clear who is the best in the world and who is the fifth best.

"It is not clear what the secret of success is – and if someone found the secret, football would cease to be interesting."

The golden boy: Chris Sutton, 21, cost Blackburn Rovers a record £5m

Shaun Botterill

Budgeting for a broken leg

Last night I went to bed with the financial controller of a Premier League football club. He had a headache, again.

It is 2½ years since my partner, Richard Skirrow combined his professional qualifications with his passion for sport. Relinquishing his role of finance director in the unexciting adhesive tape industry in Manchester, he travelled south to the allegedly twilit world of football finance.

As a new season begins, I asked this down to earth, honest, Yorkshireman how he finds life in a business so often tainted with tales of corruption, con men and brown paper parcels bulging with cash.

"One big difference between this job and the 'real world', is that in industry for instance, if you are going to spend £1m on a major asset you would know exactly what you were getting for your money. You would set the specifications, compare all the products available, and buy with a warranty. In football you spend £1m on a player, and you get no guarantee of a half decent return on that expenditure, definitely no warranty, no replacement parts available and you cannot send him back."

Last summer, £1.25m brought two new players to Richard's club West Ham United. One, Simon Webster, broke a leg and has yet to play; the other, Dale Gordon, suffered a knee injury and has managed only 10 games. Because of the hefty premiums, neither was insured. Of this summer's £1.75m purchases, one, John Moncur, missed the pre-season tour with an injury, the other, Joe Beauchamp, decided he would prefer to play elsewhere and was sold to Swindon on Wednesday.

"It is the unpredictability that makes life so fascinating," says Skirrow. "Take budgeting for a cup run, for instance. If you take the conservative attitude and do not budget for any sort of cup success then you are in danger of underestimating how much money you may earn. Therefore you do not spend it, you do not buy the new player, you have a poorer side. It becomes self-fulfilling and you get knocked out early on.

"Equally if you are tempted to budget for a long cup run and spend accordingly you may still get knocked out in your first game, you have not got that income you were expecting but you have already spent it on a player and you are up queer street."

West Ham do not have the luxury of a "sugar daddy". All spending money has to be generated from trading profits and bank loans.

"We find the current level of players' wages crippling, but we have to pay them because of market forces in the industry. Clubs such as Manchester United, who are making money from huge crowds, frequent TV appearances and a massive commercial operation, will, quite rightly, want to ensure they do not lose their top players to European clubs, hence they will pay them a phenomenal amount of money. To keep team spirit, the rest of the squad will be paid well.

"Smaller clubs, who want to retain their star players have to pay comparable wages. There are few clubs who can cope easily."

There has been extra financial pressure on clubs to conform to the strict requirements of the Taylor Report to make stadiums all seated.

"Most clubs have, in the past, spent money on the team first, and the stadium second. Many fans, would far rather have a good team winning matches, in average stadiums with indifferent facilities, than have a spanking new stadium with piping hot soup and a team that is going nowhere. But safety must be the priority and now football has been forced to spend money on the facilities and it has been very expensive indeed.

"We received £2m grant aid from the Football Trust, towards the redevelopment of our south stand. An immense help."

West Ham's priorities are to have sufficient money to complete the ground redevelopment, meet interest commitments and repayments on borrowings and create some surplus for the manager to spend.

"You can set a certain figure for spending on transfers but then perhaps the manager has spent it all and you still look as if you have a team that is going to struggle, which is what happened last season. So you look at it all again, try and be a bit more optimistic – bigger average crowds, an extra round in the cup – and perhaps convince yourself the risk is worth taking."

Income for clubs outside the Premier League is vastly reduced, so avoiding relegation is becoming more and more important.

"Unfortunately the rich are getting richer and the poorer are falling further behind. Even this league is geared to the successful getting more financially rewards than those less successful."

The Premier League TV money is split, in part, on a ladder principle. The top club receives 22 shares and the club at the bottom gets one share. Each share is worth £40,000. The top teams are more likely to be chosen for live Sky TV games and a £70,000 fee.

The headaches? "Bearable, so long as we are still in the Premiership this time next season."

Cricket

The Foxes show some sharp teeth

***Teresa McLean** visits Leicester to investigate the year's surprise county*

Funny county, Leicestershire. I have never had much sense of its cricketing character, except perhaps as a bit of the Midlands enlivened for a while by David Gower, but basically quiet. This season their cricket, especially their batting, has been more successful than in recent years. Their captain, Nigel Briers, reached his 1,000 runs for the season last weekend, whereas neither he nor anyone else in the county got 1,000 runs last season. Though fragile in one-day matches, Leicestershire are a close second in the county championship.

I am always reluctant to mention such things to county executives. Their eyes light up and they release floods of favourable statistics about their team. But Leicestershire have had a fine season which no one expected and I did not blame their chief executive, Tony Norman, for his delight in it. He attributed it above all to Phil Simmons, their West Indian opening batsman, a clever replacement for fast bowler Winston Benjamin.

"He has charisma; a great team man," said Norman happily from his balcony at Grace Road last Saturday, as we watched Simmons dismissed for nought in his second innings against Worcestershire. His batting has been variable since its sensational start with a double century against neighbours and rivals, Northamptonshire.

Last weekend his loose, impatient shots did nothing to improve his county average of 42, but he batted, bowled and fielded whole-heartedly. He is a tall, muscular man and a powerful presence on the field. He is also a good-humoured presence off the field, signing autographs, chatting and joining in the club's many social events, everything from barn dances to barbecues.

It will be interesting to see how Leicestershire fare with Hansie Cronje instead of Simmons next year. By then Cronje will be used to English conditions. At Leicester he has a brother-in-law, all-rounder Gordon Parsons, who is enjoying an exceptionally good season. It was Leicestershire's cricket manager, Jack Birkenshaw, who spotted Cronje's talent while coaching Orange Free State in South Africa during the winter.

After Mike Turner, who ran the club, resigned amid great turmoil, Birkenshaw was given what Norman described as "a totally free hand in dealing with the cricket side of things" and wasted no time in bringing his experience to bear on the county's problems of mediocrity.

Last Saturday was "former players" day at Grace Road. During breaks in play, former players were introduced to the crowd one by one from an upper balcony. The strongest applause went to recent wicketkeeper Roger Tolchard and, above all, to Birkenshaw, who is a local hero. Such are the recruiting and coaching skills of Birkenshaw and Russell Cobbs, who runs the new Grace Road indoor cricket school, that this year Leicestershire have excelled the exotic elements of other counties and boast a young Afghani player, Alangir Sheriyar, in their second eleven. He is a 21-year-old bowler, born in Birmingham, of Afghani stock.

In last Sunday's Axa and Equity Law League game against Worcestershire, which Leicestershire lost by two runs, their best innings was the 53 scored by 20-year-old Darren Maddy, with some strong, straight strokes. There was quite a corps of young players; it looked as if Leicestershire were taking the chance of the Sunday League to give them a taste of the big time.

I have never thought of Grace Road as a big-time ground. I have always found it slightly forlorn and too spread out, with low rows of empty seats. Now the smart new stand, which has hospitality boxes upstairs and the new indoor cricket school below, fills in most of the open side opposite the pavilion. New stand, new paint, new flowers dotted about – the only casualty is the stretch of ground once free for childrens' cricket, which is much smaller these days.

Grace Road is now Leicestershire's only home ground, because the county found it made more money from its matches there than at other grounds, and because, as Norman put it, "no one in the county lives more than 45 minutes away from Leicester, so we do not need another one".

Closing outlying grounds is always a pity and though the reasons are understandable they are bleak. The club have awarded groundsman Sol Spence a benefit year this year, shared with Parsons – a thoughtful show of appreciation by Leicestershire. The wicket last weekend was dry and its high, flighty bounce helped the bowlers to take 18 wickets on Saturday.

On Monday, David Millns took six for 84, demolishing Worcestershire's second innings and bringing his season's total to nearly 60, the product of determined, accurate work. Alan Mullally, his opening partner, has done less well but Vince Wells, like Parsons, has come into his own with both bat and ball. Spin looks like Leicestershire's weak spot, but their mood is confident and they told me they have great hopes of their young off-spinner Tim Mason, a good England under-19 player, recovering from injury in time to spin them to success next year.

What about this year?

Wells smiled when I asked him.

"Obviously everyone hopes for the number one spot. That is the aim you go out with. I still believe you make your own luck, but you need a bit of luck on the way as well."

Before this season no one would have given Leicestershire a hope of challenging for the County Championship, but they have worked hard at making luck for themselves, throughout the club. Their sandwiches are grim. The stuffed foxes looking down on the cafés and bars from glass cases are an acquired taste. But the staff are friendly. The county has cut the cost of membership and launched lots of events throughout the year for members. Membership is larger and jollier and the cricket has prospered.

Wells, an import from Kent, gave me an inside view of the club: "Here the team are very much friends outside of cricket as well. Everybody sticks closely together. Apart from Phil we have not got any star players and I think perhaps when the going does get tough it is nice that we can get back to that unit and put things in order. And anyway Phil is brilliant. He fits into the side superbly. We are very lucky."


Charismatic: Phil Simmons, Leicestershire's West Indian star

Action Images

FT Ski Expedition/**Arnie Wilson**

In Jack's tracks

Arnie Wilson and Lucy Dicker are attempting to ski every day of 1994 on a round-the-world expedition. They are currently in South America.

During our first visit to Portillo, Chile, in June, we had gazed longingly at a run called Roca Jack but it had remained shut because of lack of snow. On this visit, we awoke to find it knee-deep in powder after a two-day storm.

Jack was British. In spring, he used to climb up to a rock on a steep avalanche face, sit there, and marvel at the icy waters of the Laguna del Inca stretched out beneath him.

Then, when the snow had softened in the afternoon sun, he would ski down. Jack's rock is now immortalised as Portillo's most exhilarating lift-served run.

And what a lift. The extraordinary contraption was built specially to serve this steep, avalanche-prone chute: it comprises two sets of five Poma platters harnessed together, one at the bottom of the run, the other at the top, linked by cables suspended in mid-air and driven by an electric motor.

The five skiers have to hold on tight as they are whisked almost half a mile up the mountainside at great speed. They come to a sudden halt at the top and must disengage themselves backwards (very awkward on a steep slope).

On the way down, Jimmy Ackerson, the ski school director of both Portillo and Heavenly (California), had the treat of making the first tracks, snaking from top to bottom without stopping. Lucy and I floated, swam and finally sank after him with tracks far more erratic. But we arrived at the bottom elated.

When the time came to leave, our borrowed vehicle needed to be thawed out, and, with dusk approaching, we set out on a spectacular drive across the Argentine border and down the other side of the Uspallata Pass: one of the most extraordinary journeys of our travels, through a vast landscape that could have been in remotest Arizona or even Afghanistan.

PROPERTY

Why bed and breakfast is just like getting married

*So you want to take paying guests? **Gerald Cadogan** has a word with some old hands*

Mary Pen Wills: "It is like a house party. We have delightful people" — Ashley Ashwood

Lambing comes early for Elizabeth Courage at Rye Hill Farm, Slaley, in the wilds of Northumberland. "The four legs must be out before the two legs arrive at Easter," she says.

The two legs are the visitors in the guest-house on her farm. As local chairman of the Farm Holiday Bureau, she is eager to show them Northumbrian farming. "But most people aren't interested. They like being on the farm and talking about it in the evening. Next day, one snoop at a pig is quite enough – which takes all of three seconds."

Running bed and breakfast accommodation is relentless work. But, by b&b standards, she has a large operation.

Six letting bedrooms, converted from old farm byres attached to the 300-year-old house, sleep up to 16 people. All rooms have a bathroom. She charges £18 a person nightly for twin occupancy and £20 for single.

Sandwiches will be prepared "any time" and she cooks dinner. "But you can't do that without six eating, and you must charge £10 a head." She also has a self-catering cottage for nine, equipped fully for the disabled and costing from £250 to £600 a week, depending on the season.

Courage cautions, however, that b&b is like marriage – it should not be entered into lightly: "If you worked out your earnings per hour, they would be worse than farming." But it makes a great difference to her income and being able to bring up four children. It is a relief, too, that the b&b operation is not run in her own house; otherwise, she would have little privacy.

Most of her visitors are British but 10 per cent are foreign, mainly from Australia, the US and the Continent. "They even ring up from Vancouver, to ask where we are," says Courage.

Six beds above ground level is the cut-off point for fire precautions and for paying business rates. She has had to install self-closing fire doors and she is registered for value added tax, which has one advantage: she can claim relief for the VAT she pays on fuel (which smaller, unregistered b&b establishments cannot). She feels the ideal size, in terms of effort required and final income, is six beds or under.

She keeps chickens, a pit pony, 80 ewes and pigs. It is a hard-working smallholding and, although the visitors do not like to be too close to the muck, they like the feeling of being close to farm life.

Courage would not dream, however, of paying the £600 that it costs Mary Pen Wills at Fulford House in Culworth, Northamptonshire, to be a member of the Wolsey Lodge chain of guest-houses. She says: "I went into it because I wanted my own money to do up the house and buy more expensive curtains than I could otherwise afford."

Wills says she had the space as the children had left home. "And I wanted to stay in our nice house." It is a smart, if rambling, old place near the village green with smart curtains, antique furniture and fresh flowers.

Her visitors stay in the house. She agrees that it is hard work but it does produce some money – although she adds, cautiously: "If you employ help every day, you begin to wonder." She has three double/twin bedrooms and rooms cost from £45 to £56 (£28 to £30 for single occupancy), dropping a little in winter.

Dinner costs £17.50 and, like Courage, she has a residential licence. "We want to make it a dinner party for them," she explains. But when there are only two visitors, "we eat with them. And Stephen [her husband] pours drinks while I finish preparing dinner."

Wills says that when you look at b&b prices, you must bear in mind that £22.50 upwards takes you into the "gracious" range. Among the costs of being gracious are keeping the house warm all the time and making sure the carpets are not frayed. "But we cover ourselves and have had fun and can afford new things."

With some help in the house, she is able to relax playing golf twice a week. If she did not have the help, income would be higher.

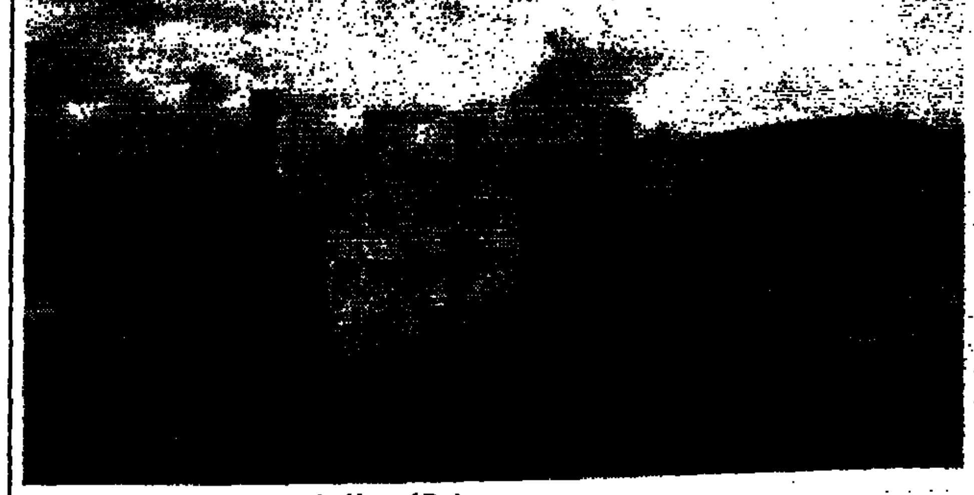
The Wolsey Lodge scheme, with central booking for overseas visitors, is a reliable source of guests. "It is a little club, really, and worth it." Properties in the scheme are substantial; many are manor houses and old rectories. They are vetted carefully for what they (and their hosts) are like, and what they offer. "We want the sort of atmosphere where our guests are coming to stay with friends, and will be meeting more friends," Wills explains.

This seems to work, because they have many repeats. "It is like a house party. We have delightful people. And if they do not look too delightful when they arrive, they are when they leave."

Many come every year for meetings at the nearby Silverstone race track. Other attractions are Oxford, Blenheim palace, the Cotswolds and Stratford-upon-Avon. There are many garden enthusiasts – hers is a good one. Others discover Northamptonshire, a remarkably unknown and rural county. She likes to help visitors plan their trips.

The Wills family has run the guest-house for eight years and she has no regrets about the work, although she adds: "It is a two-person job. I could not do it without help in the evening from Stephen [an oil-field marketing consultant]. The husbands are excellent at the Wolsey Lodge meetings. They leap up and ask questions. They love it."

■ *Rye Hill Farm (Elizabeth Courage), Slaley, Hexham, Northumberland NE47 0AH (0434-673259); Fulford House (Mary Pen Wills), Fulford House, The Green, Culworth, Banbury, Oxfordshire OX17 2BB (0295-768304); Wolsey Lodges, 17 Chapel Street, Bildeston, Suffolk IP7 7EP (0449-741771). Guides to bed and breakfast establishments in the UK can be found in most newsagents and bookshops.*



For £160,000: Four Chimneys, on the fringe of Dartmoor

Where to find your guest-house

The West Country always has working guest-houses for sale. They range from properties such as the thatched and listed grade II Newlands Cottage at Newton Poppleford near Sidmouth at £140,000 (Fulfords, 0395-578126) to seaside terraces at £79,950 in Paignton (Constables, 0803-529300) or Weymouth (Palmer Snell, 0305-788727).

Constables in Exeter (0392-422122) and Millerson (0579-344401) both offer Four Chimneys at Bratton Clovelly, on the north-west fringe of Dartmoor, for £160,000; this was built in the 17th century as three cottages.

Others include the Victorian Withydown House at Stoke St Gregory, near Taunton, for £220,000 (Stags, 0823-662822); Eastdown House near Dartmouth, at £195,000; and Downhayes at Spreyton, near Crediton, at £275,000 (both Jackson-Stops, 0392-214222).

Wales is also prime country for b&b opportunities. Strutt & Parker (0244-320747) offers Carreg y Groes, overlooking the river Conwy in north Wales, for £295,000, and Bodidris Hall at Llandegla, near Wrexham, for £425,000 (with co-agent Christie, 061-833 3311).

The hall, a late 16th century manor listed grade II* amid nine acres, is now a small country hotel. It is a receiver's sale.

In Norfolk, the imposing Victorian Holly Lodge at Heacham, near Hunstanton (and Sandringham), has been a country house hotel. If it reverts to a family house, there would still be enough bedrooms for b&b guests. Price: £285,000 (Bedford, 0284-769999).

For £425,000: Bodidris Hall at Llandegla, north Wales

OUTDOORS

Motoring / Stuart Marshall

The SL: a symphony in heavy metal

The 50-year-old Dakota, smelling like all old aeroplanes of petrol, oil and the passage of time, had taken off from Biggin Hill airfield in Kent, immortalised by the Battle of Britain. Close to an hour later, it rolled to a standstill on the grass of Swanton Morley.

I jumped out, walked across to an open-topped Mercedes-Benz 320SL, and drove it away down the kind of track makers use to test cars to destruction.

At 35-40mph (56-64kph), nothing shook, banged or creaked. For all the notice the Mercedes took of the potholes and bumps, it could have been an average B-road in Britain.

Why the trip by veteran aircraft to a former second world war bomber base in East Anglia? First, to make the point that the SL has been around for a very long time; the type name originated 40 years ago with the 300SL and its unusual gull-wing doors.

Second, because the roads in East Anglia are almost traffic-free compared with those of the overcrowded south-east. With the sun shining, it was just the place for wind in the hair motoring.

The SL stands for *superlicht* (super-light) although, over many years, these cars always have struck me as anything but. At close to two tons ready for the road, the latest 320SL is a fairly massive piece of machinery; almost a battle tank designer's idea of a sports car.

But its carved-from-solid integrity makes it the strongest, stiffest and safest open car in the world. It even has a rollover bar deployed automatically in a fraction of a second if a sensor detects that the car is in danger of overturning.

This really works. When the present SL was launched five years ago in Portugal, a girl who should not have been at the wheel up-ended one at speed on a race track. The car looked distinctly second-hand afterwards, but she and her passenger walked away.

To get an SL into such a predicament, however, calls for bad luck or inept driving. Although it rides like a town carriage, its wide track and sophisticated suspension give it levels of handling and road-holding so high that they simply cannot be explored on the highway.

The SL has always been the choice of affluent motoring connoisseurs and their ladies. Many of the owners are no longer young; indeed, it is the kind of car to which a man might turn naturally on feeling he had grown too old for a Porsche 911.

Although a cabriolet version of the gull-wing appeared in 1960, I reckon the latest blood line began with the "pagoda top" 300SL of 1963 – the one with a slightly concave roof. Its replacement in 1971 stayed in production until the present car appeared 18 years later, in 1989.

Since then, more than 106,000 have been made, more than half with five-litre, V8 engines. Mercedes-Benz murmurs that this is because "our customers have a liking for power". Britons, undaunted by the recession, have bought more than 5,000 of them and sales now are even more buoyant.

SLs come with in-line, six-cylinder engines of 2.8 and 3.2 litres; the five-litre V8; or a six-litre V12 at prices ranging from £53,594 to £96,794. All have automatic transmission.

Orders are being taken for a very limited "hot" edition with a bored-out six-litre V8, special AMG suspension and ultra-wide wheels. It will cost between £85,000 and £90,000.

I doubt I would like driving that one as much as I did the 320SL. This has a silk-smooth six-cylinder (231 horsepower at 5,800rpm) which, I thought, gave it more than enough performance. Foot down hard, the 308hp 500SL I tried later was more rocket-like, but the extra weight up front made it handle less sensitively.

All SLs have a power-operated hood and a hard top which you keep in the garage until winter sets in. The soft top is a masterpiece. It disappears completely when folded and is the only one I know that is totally automatic, even to the operation of the clamps that fasten it.

Fishing / Tom Fort

Simply Itchen to seize

Self-doubt is an insidious infection, and two blank evenings on the Itchen in high summer had left me seriously ravaged by it. As the second drew to its maddening end – with the only trout I had managed to hook making its escape into the weeds with my fly in its mouth – I wondered whether it might all be beyond me. What made it worse was that I was alone in my failure.

A glance at the book in the fishing hut told me that everyone else had enjoyed some measure of success. Were they all, I asked myself gloomily, simply better fishermen than me? Probably, was the answer that hung heavily in the darkness over the Hampshire water meadows.

My mistake had been to persuade myself there was only one place I wanted to go. The fishery consists of a fairly short stretch of the Itchen itself, with a criss-cross of interconnecting little streams. The other anglers had prowled these streams, picking up a simple-minded trout here and there. But I had skulked in one spot, waiting for something that never happened.

The Main, as it is known, is hardly classic Itchen. It was, so the old-timers relate, subjected to barbarous dredging in the 1950s. As a result, it tends to flow sluggishly over thick silt, unweedy and unpromising. At the top of our stretch, though, the current is quicker, the gravel is pale and exposed and the weed healthy. And there are trout there, good ones – or, at least, there had been last year.

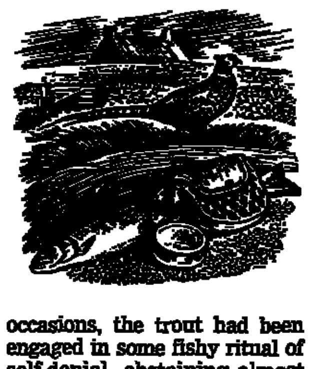
Supposedly wiser after my two fruitless evenings, I arrived for the third determined to give the Upper Main a miss. So, at quarter to nine, in blissful warmth with the sun sinking in a molten sky, I found myself on the Upper Main.

It was not intentional. I had headed for one of the little streams, only to find another fellow in occupation. I then tramped across to the Lower Main, still fixed in my resolve. But there I met a deterrent.

Now, I have nothing against birds in moderation. A couple of coots, a duck here and there, even the occasional family of swans – these I can view with equanimity. With an effort, I can even forgive them their atrocious habit of flapping around over proven trout lies, scaring every decent fish out of its wits. But the Canada goose is another matter.

I counted 30 of these large, stupid and ridiculous birds. As I approached one of the few promising runs from downstream, they sailed into it from above. Round and round they went, while their chums hastened to join them from all points near and far. Briefly, I savoured a fantasy in which the rural idyll was shattered by automatic gunfire and the honking of wounded geese. Then, I marched upstream towards the forbidden zone.

And there I came upon fish, feeding fish, and I was much amazed. For, on those previous



occasions, the trout had been engaged in some fishy ritual of self-denial, abstaining almost totally from the tasty morsels which the approach of darkness prompted to pass over their noses. Now, though, this Ramadan had evidently expired. They were hard at it, tails and backs out of the water as they slurped and guzzled.

Initially, I was not sure what they were taking, so I put on a little sedge tied with *cul-de-canard* (feather from the duck's neck). This was grabbed at once. I landed the fish, knocked it on the head and cast again. I was taken again, and broken. I put on another sedge, of deer hair, hooked a fish and lost it, rose another and missed it.

At this point, the community of fishes reached a consensus that it had seen enough of me. It sank out of sight and I moved on, convinced I had blown it. But around the next corner were even more fish, troughing away.

There was about half-an-hour of fishing light left – not a moment to be wasted. They were not on the sedge, I knew; it must be the Blue Winged Olive. So I knotted on an Orange Quill – which imitates the BWO on summer evenings – and set about disrupting the gourmandisers' gala.

Innate modesty, and the horror of being thought tedious, compel me to skip the details of the resulting display of dynamism and efficiency. I was the embodiment of cool calculation.

Back at the hut, I bumped into the angler who had deflected me originally from one of the streams. Nice fish, he murmured, as I tipped out my two brace. Very nice fish. And they were, the two best reaching 2¾lb.

As I skipped off down the path to my car, I heard a little warning voice. Something, I think, about self-doubt being bad – but excess pride being worse.

Helichrysum angustifolium: totally hardy and dependable

Ardea London

Gardening

These long dry spells can make you go grey

Robin Lane Fox enthuses over the advantages of grey and silver-leafed plants, particularly for hot summers

The rain in southern England has stopped gardens from going grey. It has also stopped me from going grey with them.

Long dry spells are horrible and for 10 weeks, we have had to look at burnt sweet peas, brown phloxes and dead lower stems on those pillars of late summer, the white-flowered Lysimachia Ephemerum and white veronicastrum.

Wherever I garden, the Good Lord makes it difficult. Six years ago, I started to massacre Leyland Cypresses and to make a new garden over their former home. Since then, we have had seriously dry weather in four of the summers, sending me back to the old principle of suiting a new planting to the soil and climate.

Even if it rains until October, I intend to think more in grey than in green for the rest of the ground plan. Grey leaves like dry weather; they are better in hot summers; they hold August together and this weekend, you can save yourself a small fortune by multiplying them from cuttings, best rooted now without any overhead watering or complicated equipment.

Grey and silver plants survive between two extremes: frost and damp. Some of the most beautiful will not survive a serious winter; most of them hate a wet soil or clay. The best guide to the extremes remains the late Mrs Underwood's book, *Grey and Silver Plants*, first published by Collins in the early 1970s.

I hesitate to call her an Essex girl, but she did grow, sell and select the best of the greys and silvers in her nursery near Colchester and global warming has yet to do anything to put her out of date. She grades the possible plants on a scale of hardiness, but to the west of Oxford, I have learnt to be less optimistic and add a further point to her grades, taking no chances.

On the hardy side, new winners emerge as we all garden more sceptically. She never fully discussed the silver oleasters, but they are the poor Briton's substitute for those wonderful orchards of silver-grey olives which you are envying or imagining this month in your Mediterranean dreams.

The Latin name for the family is Elaeagnus and it includes a superb silver-leaved tree which is less familiar than the popular Silver Pear but even prettier when the sun preys on its glistening leaves. The basic form is Elaeagnus angustifolia, but nurseries have now selected one called Quicksilver which is self-explanatory.

Its natural home is up in the extraordinary heat of the Caspian Sea area and it will tolerate the awful stony and sandy soil of gardens near the seaside or wherever I seem to settle. It is not a tree for screen and it is rather bright. It is a feature which I would prefer towards a green boundary, but it is an extremely good one.

In a smaller space, the best bet is the shrubby Elaeagnus commutata which turns up as a centrepiece in artistic exhibits at Chelsea flower show. It runs around by suckers and can be increased very easily by digging up a rooted piece, it looks splendid on a dry bank, but its natural height is slightly too tall for the middle of a normal border.

You can prune it, but you should do so after midsummer so that you do not remove its particular delight – its scented little yellow flowers along the joints of the stems in early June.

What other silver shrub flowers with a scent to equal a sharp lilac? This small Oleaster has been one of the successes of this testing season and I hope that many more gardeners will now try it, although it is not evergreen.

Among the smaller silver shrubs, I opt for the controversial curry plant. Whenever you brush against it, it smells like an Indian dinner. Delhi descends on the paved front garden and I am mentally transported to one of those hot evenings, when the cows seem to have collapsed on the hillside and their bones show through as if all air has been let out of their hides.

More prosaically, Helichrysum angustifolium is totally hardy, spreads to a width of about two feet, covers itself in buds of an exquisite ivory-grey and develops flowers of a strong mustard yellow which are somehow rather sociable. I like the upright spiral of the young growth, the effect of silver spires and and the dependability.

Curry-haters dislike it, but I put it first because it persists until the outer edges of the bush go brown and it is time for very hard pruning after flowering. It will multiply with ridiculous ease from cuttings.

Apply the two golden rules for propagation of almost every silver plant. Pull off a stem which has hardened, rather than a soft little shoot from the top of the bush. Take the cuttings now and leave them outdoors without excessive watering.

They will root unless they become too damp, whereupon they rot. I find that they are weekenders' easiest strike, because their owners are away from a watering can for most of the week, allowing them to get on with it.

From the scent of India, I move westwards back to Greece. This month, one of the few happy plants in the dust of the summer is the felted grey-green Ballota with rounded leaves. It turns up in walls, on donkey tracks or on bare landscapes by Aegean beaches. In Britain, it is surprisingly hardy in a dry soil and I have kept plants of it since 1982.

Knowing gardeners nowadays chase after an apple-green form called All Hallows Green, but I have left the stampede and am happy with the plain grey pseudo dictamnus. It makes a bushy plant, especially if you clip it lightly in early summer and it spreads charmingly in the front of any border, improving as this summer has killed many of its companions.

The flowers and stems are a lovely accompaniment for small bunches of cut pinks or summer flowers and they age gradually, becoming woody, rather than dead. You can split them or root young growths with ease.

Nearer to the frost line, I must end with my star turn to date in this difficult year. The silver-leaved Teucrium fruticans is not a certain survivor in the open, but we have grown it in Oxford since 1983, where the same old plants are flourishing in a dry bed against a south wall.

As a result, I recommend it wholeheartedly. It may look drab after a severe winter, but you can cut it back in late April and it will regain its elegance by midsummer and flower charmingly in a shade of pale blue which persists on and off until autumn.

Be warned that the dark blue form is even more seductive, but markedly less hardy. I like this shrub, up to 4ft high anywhere, but it has a particular use which is invaluable. Usually, the windows of houses in the UK do not go fully to the ground, and so we are left with a stretch of wall which is too low for a serious climber.

Here, facing south or west, the Teucrium is in its element, although it has the characteristic spread and slight untidiness which I value in parts of the garden. If you are neat, smart and a perfectly-pressed sort of person, you may find that it is too spreading if it survives for three or four years.

If so, we disagree, because I believe that this wonderfully silver plant is greatly underused in southern England and in cities and that it is one of the saving graces left to us after so long without serious rain.

Man who cried for his country

*Woza Alan! **J.D.F. Jones** reviews the life of South African novelist and politician Alan Paton*

In September 1946 a middle-aged Borstal headmaster from South Africa was in Norway on a study tour. He visited Trondheim Cathedral, went back to his hotel and, homesick, began to write: "There is a lovely road that runs from Ixopo into the hills. These hills are grass-covered and rolling, and they are lovely beyond any singing of it . . ."

He was Alan Paton and he would take just three months to complete *Cry, the Beloved Country,* the novel which changed his life and, just conceivably, altered the world's perception of South Africa.

It is – what? One of the finest novels of the century? Surely not. One of the most moving? Yes. One of the most memorable, powerful, effective, influential? Certainly. And what were Alan Paton's other achievements?

Peter Alexander has written an excellent biography of an interesting and important man who died, in 1988, just a few years before the coming of the democratic and non-racial society for which he had fought and written. The story is told steadily (57 pages to get to varsity sex), respectfully, warts and all, and the judgment is well-considered and balanced. Mr Alexander liked and admired Paton, and owed him favours, but this is no hagiography.

To get the warts out of the way, Paton had an unpromising Christadelphian background, hated his authoritarian father, had a sad, sexually unhappy marriage with an older woman, became in turn a bad parent, was feared and detested by his pupils when a schoolmaster, was a flogger of sadistic dimensions, and may even have drunk too much. All this for a man whose international image has for years been that of a Christian writer-hero defying the apartheid government to do its worst.

It is a compliment to Alexander that, in Cromwellian style, the portrait proceeds from there. Paton was shaped by his childhood in Maritzburg; he carried from it a passion for the African landscape, an instinct to fight authority, a Christian faith which he was able to adapt to the less puritanical Anglican Church, and which gave him the biblical cadences of his distinctive prose style.

His idealism led him from schoolteaching (the pupils cheered when he almost lost his sight in an accident) to the desperate job of rescuing the black reformatory at Diepkloof, a terrible institution when he arrived in 1935, and which was to give him 13 happy and inspired years as he learned about his country and discovered the necessity to build bridges across the colour line.

After the instant, worldwide success of *Cry, the Beloved Country* he left government service and set out to write (he found it depressingly difficult to produce a second book) and then to move into politics. The story of the founding of the South African Liberal Party is not new but is told well, including Paton's anguish when the multi-racialism and non-violence of the Party came under pressure from within. There seems to have been happiness in the later years in the Valley of a Thousand Hills when he married a formidable second wife who became notorious among politicians and journalists for the rigour with which she guarded him.

ALAN PATON: A BIOGRAPHY
by Peter F Alexander
Oxford £25, 510 pages

He did not write all that many books, partly because he gave so much of his time to politics, which included his journalism. There were only two other novels – *Too Late the Phalarope* (1953), which was probably overpraised when it appeared, and the rather odd *Ah, But Your Land Is Beautiful* (1981). There were some short stories and two biographies – of his friend, the flawed statesman Jan Hofmeyr, and his Archbishop, Geoffrey Clayton – neither of which, we can now see, cut to the bone with the instinct of the natural biographer. The two-volume autobiography had its areas of discretion. Alexander is enthusiastic about a slim volume of Christian meditation, *Instrument Of Thy Peace* (1967), which apparently was his second most popular book (and which reviewers like this one have never read!)

Paton, in public, always looked like a Methodist lay preacher, and this biography does not contradict that aspect of him: it is true that he was a fine orator. There remains a touch of mystery in the transformation of a small-town schoolmaster with a cane in his hand to an internationally-celebrated figurehead of liberalism.

Alexander does not go out of his way to deny that Paton wrote only one "great" book. I suggest that he understates the sheer courage of the man in the face of constant harassment and vilification. He correctly concludes that, never mind the mean quibbling of the ANC and Black Consciousness, Paton's Liberalism kept alive for South Africa certain values in a time of great darkness; Paton then had the courage to close down the Party when it could not continue with integrity.

Alexander has a nice final quote, supplied by Paton himself, from a certain Sir Robert Shirley, whose encomium was that he "did the best of things in the worst of times, and hoped them in the most calamitous". He kept the faith. *Woza* Alan!

Alan Paton: from small-town headmaster to figurehead of liberalism

Making money and faking history

Malcolm Rutherford discusses the motives behind political memoirs

Political memoirs are not a new phenomenon. Otto von Bismarck's sold 300,000 copies within a few weeks of publication in 1898. The Earl of Clarendon's *History of the Rebellion and Civil Wars in England*, which first appeared in 1702, ran into 20 printings and established the economic foundation of the Oxford University Press.

One can go back further. Julius Caesar's *Commentaries on the Gallic War* continues to be read. And if one spreads the definition of political memoirs widely, so does the *Confessions* of St Augustine.

There is nothing new either about memoirs being at least a partial distortion of the truth. Marshal Foch, who led the French and eventually the allied forces in the first world war, said that he never wrote his memoirs because he had nothing to hide.

POLITICAL MEMOIR: ESSAYS ON THE POLITICS OF MEMORY
edited by George Egerton
Frank Cass £38, 351 pages

Another view, quoted in the chapter on Indian memoirs in this book, is simply: "I really don't understand why intelligent people risk to compose autobiographies. That itself is a matter of psychoanalytical study."

Yet the motives for writing political memoirs, though mixed, are fairly clear. As Stephen Ambrose, a biographer of Presidents Eisenhower and Nixon, writes here, they include making money, catharsis after office, and attempts to influence later historians, to get back at enemies and to justify one's own actions.

Ambrose tells a story about the Liars' Club in Burlington, Wisconsin. Portraits of three US presidents hang on the wall: George Washington because he never told a lie; Lyndon Johnson because he never told the truth; and Richard Nixon because he did not know the difference. Ambrose says that this is too kind to Nixon: it was not that he did not *know* the difference, but that he did not *care* about the difference. "He had a Soviet mentality with regard to historical truth. He believed that the past should serve the needs of the present."

Still, it is striking that even Ambrose concludes that the Nixon memoirs have the great virtue of being authentic. Without the memoirs, we would have known less about the man, including his achievements.

Other anecdotes abound in this generally rather academic collection of essays on political memoir as a genre. (The word, incidentally, that we must learn to use is "polygenre".) President Truman had virtually no income – only an old army pension – when he left the White House. He was eventually offered $600,000 for his memoirs by Time-Life, Inc, but found it hard to get adequate researchers. He gently fired the first two, then came up with Morton Royce, a professor at Georgetown University who was working on a multi-volume history of the world, but had produced almost nothing. Royce kept asking Truman irritating questions and still failed to write, so he, too, had to go.

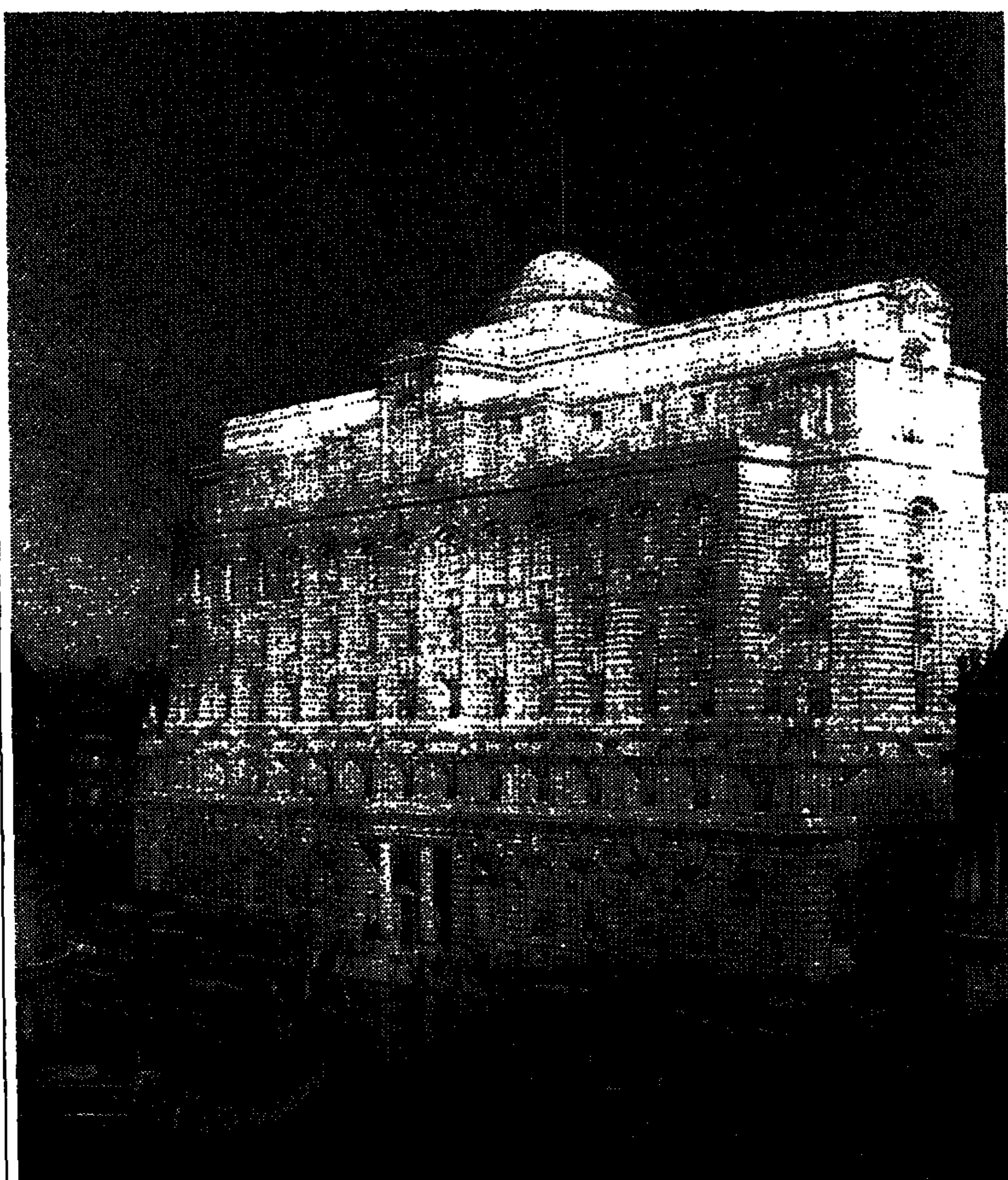
The memoirs, which Truman described as his "history", were written almost on time, as Francis H. Heller, who was largely responsible for putting them together, tells here. Subsequently it was discovered that Truman was not a bad writer in his own right, though he may have been dyslexic: he could never spell the name of his secretary of state, Dean Acheson, which came out as Atchison or Atcheson.

George Egerton, the editor of the essays, is a Canadian and the collection has a strong north American emphasis. Yet the Canadians, like the British, have had their publishing dramas. In the mid-1940s, for example, the Canadian Liberal Party bought the entire edition (over 15,000 copies) of a biography of Mackenzie King before it reached the bookshops because it was thought to be hostile to the prime minister.

King himself had the novel idea of writing his memoirs based on his diaries and incinerating the diaries as the work progressed, though like Edward Heath's so far, the memoirs did not appear. The diaries survived.

The recent spate of British political memoirs is not much covered, but there is a reminder that the genre may not be improving with time, length and the increasing use of researchers. When the late Reginald Maudling published his book in 1978, it was called simply *Memoirs* and ran to under 300 pages. The author confessed that he had kept only one detailed record in his life. It was about the consultations on whether he would serve under Alec Douglas-Home as prime minister. But the record was taken in pencil and was illegible when he came to consult it. "Anyway", he wrote, "the details do not matter all that much". That was authentic Maudling.

Where I think that this academic book falls down is in directing the fire at the memoirists, not the publishers. Of course politicians want to write, and so they should. But they do need editing, pruning and checking. This no longer happens. Recently I went through the dozen or so memoirs that include accounts by participants of a famous British cabinet meeting on Westland. Every one was different, often substantially. Someone should have noticed.



Power-building: Sir Edwin Lutyens's brief for the new Midland Bank headquarters in the heart of the City of London in the 1920s was to create a building which looked "strong and, up to a point, rich". Taken from "Corporate Identity: Making Business Strategy Visible Through Design" by Wally Olins (Thames and Hudson, £14.95)

A quantum leap

A.C. Grayling discusses the beauties of nature

Imagine a medieval stonemason resting from his labours half way up a Gothic cathedral spire. He gazes – if he is a man of sensibility, he marvels – at the world spread around him. What does he see? Leaving aside details like urban sprawl, factory chimneys and passing aircraft, he sees much the same world as we now do. But in another sense of "see" we see the world in a way inconceivable for him, because the stories told then and now about the nature and origins of the universe are vastly different. Both stories are strange and in their way beautiful; but the one told by modern science is infinitely stranger and more beautiful than any hitherto dreamt by mankind.

A swarm of popularising science books reaches the market each year, seeking to give the general public an understanding of the latest developments. Most are good, because most scientists and their commentators are an intelligent crew who enjoy what they do. But these two additions to the swarm are special: for their authors are extremely distinguished original contributers to the scientific endeavours they describe. These are reports from the cutting edge, and they are presented with eloquence and style.

Murray Gell-Mann won the Nobel prize for physics in 1969, and later helped establish the Santa Fe Institute, an interdisciplinary foundation devoted to the study of "complex systems" as various as quantum mechanics, the human body, and international economics. The key concepts which interest him are simplicity and complexity. The fundamental units of matter – quarks and leptons – are simple entities. Everything built out of them is complex; but among the most interesting complex things are those possessing a capacity to change in response to information about their surroundings. Gell-Mann's aim is to understand these "adaptive systems", of which biological entities are a prime example, by tracing the chain of relationships between them and simpler levels of the world.

Gell-Mann's main theme is the interaction between physics and chance. Our present understanding of nature's fundamental laws, he says, promises that we might soon have a unified theory of all particles and forces. Chance enters the picture because these laws are quantum-mechanical; they offer only probabilities. So nature is indeterministic, a feature magnified by the phenomenon of "chaos", in which small imprecisions in data about initial conditions give rise to huge indeterminacies in prediction-as exemplified by the difficulties of weather forecasting. But these factors mean that at certain points in the universe's history conditions are right for the emergence of complex adaptive systems. The same concepts that apply to the phenomena of physics can be used here also, to explore evolution both in the biological and cultural spheres.

THE QUARK AND THE JAGUAR
by Murray Gell-Mann
Little, Brown £18.99, 392 pages

BLACK HOLES AND TIME WARPS: EINSTEIN'S OUTRAGEOUS LEGACY
by Kip Thorn
Picador £20, 619 pages

Here Gell-Mann's ideas are at their most radical. They describe how the evolution of adaptive systems works best in conditions poised between order and disorder. There must, he says, be many places in the universe where the chain of connections between simple and complex levels has produced something similar to life on earth. But even so – and here, in the third part of his book, he turns from science to politics – there remains an urgent need to preserve as much of the biological diversity of the world as possible; which will only happen, he says, if there is a major change in our economic and technological lifestyles; for man and his world are ceasing to be in adaptive relationship with each other, to the peril of both.

There is no environmental message in Kip Thorn's book, but it is equally gripping. Thorn was one of the physicists who brought a weird and awesome astronomical monster to the attention of an astonished world: the "black hole". In his delightfully clear account he explains what black holes are and relates the history of the scientific work which discovered them.

A black hole is a puncture in the universe exerting such a huge gravitational attraction that it sucks in everything near it. Nothing that slips over the "horizon" of a black hole ever escapes, including light; which explains the name. At the centre of a black hole is the remnant of a star which died by imploding on itself. This tiny core is hugely massive; space itself is warped by its gravitational pull, so even the nothingness between the core of a black hole and its surrounding envelope of blackness is a vast distorted twist of pure space.

The study of black holes is revolutionising scientific understanding of nature. Thorn predicts that in coming years the results of investigations into them will unlock the inner structure of matter – the same goal at which Gell-Mann, from the different direction of nuclear physics, aimed in much of his work.

Both these books give one the dizzying sense that science is poised on the brink of a new world of discovery; a world stranger and still more beautiful than anything imagined yet.

Empty heart of the real Emma Bovary

On his deathbed in 1880, Flaubert screamed out "I'm dying like a poisoned dog, but that tart Emma Bovary will live forever." The model and muse for Emma, however, was by then already dead and forgotten. She was Louise Colet, Flaubert's mistress in the 1840s and 50s, and this book is an attempt to give her a place in literary history.

They met at her Paris salon when he was an obscure provincial writer and she a famous poetess and beauty whose friends included Victor Hugo and George Sand. Within days, Flaubert and Colet were making love in a hansom cab as it lurched frenetically round Paris – an episode satirised in *Madame Bovary*, where a grotesquely swaying, darkened cab with Emma and her lover inside it announces their adultery to the town of Rouen. Colet never forgave Flaubert for this travesty; Sartre, reading between the lines of their letters, was certain that Flaubert was impotent in the cab and that the venomous scene in the novel was his revenge for the humiliation.

The couple were not well suited. Louise was a flamboyant Provençal who wrote florid verses, loved big city glamour, and once stabbed a critic with a kitchen knife. Like Emma Bovary, she had as a child hidden in the woods to read romantic stories, and she was drenched in the sort of sentimental idealism which was Emma's downfall.

By contrast, Flaubert was a cold northerner who lived as a hermit in Normandy with his mother, and cynically rationed their affair according to the progress of *Bovary*. When he needed inspiration or a detail from Louise's girlhood to flesh out the story, he was the importunate lover. Otherwise, despite her anger and an impromptu visit to his estate - she was turned away at the gate - the relationship was mostly postal.

It is from his letters to Louise that we draw a picture of Flaubert's five year ordeal in writing *Madame Bovary*, and they form a unique record of literary composition. "One week – two pages"; "this one inn scene will take me three months" he writes. Life and art merged cruelly. When Louise offered Flaubert a cigar holder inscribed *amor nel cor*, the motto found its way on to the signet ring Emma gives her lover Rodolphe. As he was imagining Rodolphe's letter of rejection, Flaubert wrote his own, less regretful one, to Louise.

She consoled herself with a *roman à clef* – which made Flaubert "split his sides laughing" – and with other poet-lovers, including Musset and Vigny. She never lost her grand gestures, and at the end of her life announced that her heart was "as empty of emotion for Flaubert as Pompeii is of inhabitants."

RAGE AND FIRE; A LIFE OF LOUISE COLET – PIONEER FEMINIST, LITERARY STAR, FLAUBERT'S MUSE
by Francine du Plessix Grey
Hamish Hamilton £20, 432 pages

Francine du Plessix Grey is probably right that Emma was Louise with her blue stockings off – "a highly sexed narcissist, seldom satisfied with reality, seeking in others a glorified image of herself." The trouble with this biography is that, as Flaubert knew, such a subject is soon tedious unless mocked – thus the exquisite irony in *Madame Bovary*. With the invented dialogue and purple reconstructions here, on the other hand, Louise Colet's story reads more like a Mills and Boon of the Paris salons than a literary biography. "'Why Monsieur Flaubert, perhaps it's *you* who should be *my* mentor' . . . 'Save for a delectable lunch of shellfish served right in their room . . . Louise and Gustav seem barely to have left their bed'."

Ms du Plessix Grey says she wrote this book "to reinstate a colleague into the annals of her time . . . to resurrect yet another woman whose memory has been erased by the caprices of men." To present this kind of kiss 'n tell memoir in feminist colours is preposterous. Gender is not the point: Flaubert is remembered because he wrote a masterpiece, Colet is forgotten because she did not. Her story as presented here is of interest – but only in the context of his.

Jackie Wullschlager

Huxley's hobby-horses

As the pieces re-printed in *The Hidden Huxley* make clear, Aldous Huxley was a push-over for a great many crackpot ideas as well as sensible ones. His genius was to absorb abstruse ideas and to promote them as ironic paradoxes. David Bradshaw, who is working on a fresh life of the author, causes us to ask whose side Huxley was really on in his celebrated anti-utopian fantasy, *Brave New World* (1932).

Bradshaw points to Huxley's hitherto neglected admiration for the work of the American journalist H.L. Mencken, the co-editor of The Smart Set periodical, "the most celebrated adversary of mass-democracy in the English-speaking world". Huxley gave laudatory coverage to Mencken's book *Prejudices* in the Athenaeum arts and literary weekly and sent Mencken his novel *Crome Yellow*, which was duly praised for its masterly irony.

Bradshaw shows Huxley approvingly echoing Mencken's division of society into an élite of ability and the toiling masses and finds Huxley similarly welcoming H.G. Wells's world-order headed by a ruling caste of Samurai. Bradshaw also quotes from Huxley's Athenaeum column and reprints his later pre-second war journalism in support of philosophers such as Pareto, who contributed significantly to the ideology of fascism.

In later life Huxley found his guru in that enigmatic character Gerald Heard, with whom he was in contact when he moved from Europe to California in 1937. Heard appears as the mystic Propter in Huxley's novel *After Many a Summer* (1939). *Time Must Have a Stop* (1944), set in pre-war London and Florence, preached asceticism and showed the direction in which Huxley's thought had moved, as did his study of consensus among the religions of mankind, *The Perennial Philosophy* (1946).

THE HIDDEN HUXLEY: CONTEMPT AND COMPASSION FOR THE MASSES
edited by David Bradshaw
Faber and Faber £17.50, 255 pages

His *Doors of Perception* (1954) describing his experience with the drug mescalin, became a bible of the Beat Generation. He also turned at this time to history, in studies like *The Devils of Loudon* (1952), where he found object-lessons for the madnesses of the present in the past.

One of his greatest gifts was for conversation. In a live recording made in 1961, *Personally Speaking*, he talks uninhibitedly about writing as a career, Freud, D.H. Lawrence, drug-taking, mysticism – all his pet hobby-horses.

The voice is an upper-class sing-song in which every syllable is clearly enunciated rising in a crescendo as his conclusions are rammed home. He argues, for example, that advances in the arts often come about in an inexplicable and unprecedented manner rather than as a response to historical circumstances. "Out of the blue" he said, "Chaucer developed individual psychology . . . art has its own internal logic". In his own case, however, his art – quasi-mysticism apart – was highly dependent upon events in the external world.

Anthony Curtis

Voluptuous paintings, sensuous music and sex on the Fringe as the Edinburgh Festival enters its second week

Strictly Ballroom meets Midsummer Night's Dream

Martin Hoyle talks to Baz Luhrmann, who is directing Britten's work for Australian Opera

A fairy-story happy ending, make-believe glamour, rebellion against authority: I try to tick off the elements of *A Midsummer Night's Dream* that might have attracted the director of the film *Strictly Ballroom*. Though Baz Luhrmann is best known for the runaway success of his affectionate look at the world of dance steps and sequins, Australian Opera's production, with the same director and design team, of Britten's Shakespearian comedy has already sold out for its three performances at Edinburgh next week. Will the gently satiric flavour of the film be repeated in the opera? For those coming to opera from outside, the spangled glitziness must seem as artificial, sometimes as tatty, as ballroom dance.

In fact this is not Baz Luhrmann's first opera production. He has a resoundingly successful *Bohème* to his credit; and his interest in music theatre goes back to a community musical devised and written with a local composer for Rockhampton, a Queensland cattle town. "It was a cathartic experience. I had done theatre, not directed film though I'd acted in some, but I'd always loved music as a story-telling language." The road to Damascus continued through Australian Opera who were dealing with the problem of their audiences "literally dying off". Luhrmann admits to the usual early preconceptions about opera, preferring concerts or listening to CDs "watching the sunset rather than watching shaky sets and those disconnected people."

Aware of opera's popularity in Europe where students queue for tickets, he took in the famous ENO production of *Masked Ball* which provoked fisticuffs in the foyer, and the "fantastically clear and delicious" *Love of Three Oranges*, Prokofiev directed by Richard Jones for Opera North and ENO. Even so he regarded Australian Opera's approach as a challenge. "I wasn't sure I wanted to do this. Then I began to explore the origins of Italian opera, an incredibly popular form with street-sweepers and kings, the film and television of its day, yet told through music."

One reservation remained, summed up in what Luhrmann describes as his "biggest passion": "I don't want the work to become a club culture, expensive or élitist". He sees opera's socialite aura reflected in an elitist aesthetic. "We come from a school all about abstraction, psychological gesture, even working against the narrative." He must mean Mister (or Ms) Whatsit's production of – but you can fill in the blanks yourselves. "Concept is not my favourite word," he says coolly.

Zeffirelli came to film from opera, Visconti always worked in both, and now more directors are moving to opera from film. Luhrmann shares the growing conviction that the flexibility of film on the one hand and the high theatricality of opera on the other leave so-called straight theatre increasingly stranded as an art form. "Theatre gets lost in the gap. Theatre's got to be *theatrical*. If it's people sitting round a table you might as well stick a camera there." Surprisingly this carries over into acting where "opera and film share more things than opera and theatre. For a start they both synthesize music, drama, the plastic arts. Film sound-tracks are like operas, they're created to tell stories. Young directors are turning to opera. Robert Altman tells me he's going to do another opera. It's to do with intensity."

For some directors, notably Ken Russell, opera's artificial form is heavensent for high camp or low farce. *A Midsummer Night's Dream* dangerously contains the seeds of both with its fairies and base mechanicals. One can feel an apprehensive twitch among British music-lovers as the Luhrmann direction (plus the visual lushness of designers Catherine Martin and Bill Marron) homes in. "People say they can see a consistent style: we set out to reveal the story. I have a real interest in myth. The land of ballroom dancing is a land far, far away; we exploit it with a simple story. There are parallels with the *Dream*. Neither is psychologically realistic story-telling. We know the audience knows how it will end. We want the audience to enjoy the journey."

Luhrmann approached the work with an open mind. "We've never made a decision about 'concept' or 'traditional'. Each piece has its language – rhythm, punctuation, different texture – which should grow out of it. Everyone's looking for the hip, the right, the now thing: a bit dangerous."

Director and designers stayed in Aldeburgh "in the middle of winter, incredibly cold. After five minutes you get a sense of the music." Does background knowledge of the composer help? "Britten specifically left the 'club' opera of London. There's a feeling of community inherent in his work. We asked ourselves why, put on in any opera house, the *Dream* seems to be at the heart of a community – especially between orchestra and stage. I once naively turned to the pit and was told 'You don't have to talk to them, Baz,' as if they were terrible people in prison. I was shocked to find some orchestral members don't know the story of what they're playing. In our production the orchestra becomes characters on stage. I hope it's a humanist, not a design-led, production"

The acting is important. Luhrmann condemns those who put theatrical illusion low on the list of operatic priorities. "Britten (like Mozart and Puccini) talked about his revulsion at a kind of pretentiousness: how some opera-goers like bad acting." This may have evolved, of course, through opera-singers' once notorious unsuitability for depicting the young and beautiful; and the physical demands of singing that leave little energy for characterisation. The director will have none of it. "I try to cast singers who can act, helped by Australian Opera's commitment to ensemble. In *Bohème* I had two sensational artists." He praises the inventiveness of singing actors. "You want to *marry* them. You love them because you can then do your job: to be the audience, guide, not invent for them."

There are traps in *The Dream*. "The piece is flawed in construction. There are actual great holes in it. Some scoring is fantastic, some is not. I try to make the players play the truth of the moment. It's absolute death to say 'Here comes the funny bit'." He broods on the variety of acting one experiences in opera. "With others you virtually show them how to clean their teeth."

Since *Strictly Ballroom* Luhrmann – the boy whose father for a time owned a cinema in a small country town – has a had a production deal with Twentieth Century Fox to make films anywhere as writer, producer, director. As for opera, "It's no secret that most houses in England and Europe have approached me. I want to continue in opera. My real intention is to continue the journey inventing an operatic language. We set out to open the door to what's musically obscure to lots of people." The man who discovered opera by chance in his twenties is determined to show the way. "The tune, the tune itself, should be able to transcend time and place and geography and creed and colour."

'Odalisque' by Delacroix. The 19th century Romantic imagination was fired by the exotic world of the East

Drawn to the Border and East

William Packer finds the city full of art and reviews the watercolours of David Wilkie and 'Visions of the Ottoman Empire'

With the greatest controversy of Edinburgh's first festival week centring upon an issue of genuine national interest in the visual arts, one might have thought that at last painting and sculpture were again close to the festival's own deeply cultivated heart. Far from it. Timothy Clifford's unfortunate indiscretion which, by the cruellest irony, had put in jeopardy the acquisition of Canova's "Three Graces" which he himself had fought so hard to secure, it seems has now been most magnanimously forgiven. Thank goodness, for the sculpture is a great work of art. But it was all an involuntary smokescreen, and once the smoke has cleared, the festival's habitual cultural parochialism remains unchanged and the visual arts as peripheral to the festival's purposes as ever.

The principal gallery directors say that there is no co-operation forthcoming from the festival organisers. Brian McMaster, the festival's Director, has said that he wishes only for a closer engagement with the visual arts, which this year was scotched – if that's the word I want – by the museums and galleries themselves. Such is the current stand-off that the only concession is an undifferentiated listing in the festival brochure. That apart, exhibitions, officially, do not exist.

Of course there is a great deal to see, and much of it of a very high quality. For with the city full of visitors, what better time than to give them a treat? Clifford's own National Galleries of Scotland show the way with four strong and varied shows of which two, *Monet to Matisse'* at the National Gallery, and *The Romantic Spirit in German Art 1790-1990*, split between the Royal Scottish Academy and the Fruitmarket Gallery, warrant the separate consideration I shall give them next week. Both of them have their faults, but they both contain a remarkable proportion of rare and beautiful things. Go and take issue with the selection, the rationale or the installation of the show by all means, but go also to revel in the particular works for their own sakes.

The other two shows are at the Scottish National Gallery of Modern Art, and at the Scottish National Portrait Gallery. The retrospective of the watercolours of Sir William Gillies at the SNGMA (Belford Road, until September 25: sponsored by Atlas Hydraulic Loaders) is modest enough in scale, but it draws attention to an artist of most distinctive quality who, as is so often the way with our painter knights, has suffered an undue neglect. That an institution of the SNGMA's international standing, not to say ambition, in the related fields of modern and contemporary art, should consider such an exercise in belated recognition worthwhile at such a time is indeed encouraging, at least to those of us who take a view broader than the immediate currency of the avant-garde.

Gillies died in 1973 at the age of 74. His working life had been centred upon Edinburgh, where he had been the Principal of the College of Art, and latterly the Border landscape where he had made his home. That consideration alone is enough to have secured him his obscurity in the south. Brought up in the Scottish Colourist tradition, broadened by direct contact with the School of Paris and leavened by a natural expansive expressionism by no means foreign to the Scottish temperament, he produced work of a freshness and liveliness of handling, and directness of observation, that are at once charming and convincing. He loved the very act of painting, of filling the brush with paint and drawing it across the paper, which of itself, he said, led him back into a deeper consideration of the world he saw. The mood of the landscape, the very feel of the weather, were what stimulated and excited him, which we catch in his every scurry of the pen and drag and flick of the brush. His peers are such artists as the brothers Paul and, in particular, John Nash, Ivon Hitchins, Graham Sutherland, Keith Vaughan . . .

The only pity is that this is no full retrospective by which he might claim his place among them. Some substantial oil paintings by him, however, are currently on view in *The Colourist Legacy* at the City Art Centre (2 Market Street until September 21), which draws on the City's own collections in following the Scottish Colourist tradition from the Glasgow Boys and the Colourists themselves – Peploe, Cadell and Fergusson – at the turn of the century, through the Edinburgh School – of which Gillies was a central figure from the 1930s to the '70s – and so down to the present day.

Visions of the Ottoman Empire, at the Scottish National Portrait Gallery (Queen Street, until November 6: sponsored by Blackwall Green, the Hope Scott Trust, Martin & Frost, Momart, Stanhope Palmer Charity), is a show of a very different kind, a dense but rewarding study of the response of artists, writers and travellers of the 18th and 19th centuries to both the myth and the reality of life and travel in the old Turkish Empire. The starting point, intriguingly, is taken with Watteau's exquisitely sensuous and mysterious "Fêtes Venitiennes" of 1719, with its youths and lovers flirting beneath the trees and the maturer stranger in Eastern dress paying court to the fine lady. So is established the image of the East, and with it the ideas of personal freedom, sensuality and danger that so exercised the Romantic imagination.

Off they all went: Lady Hester Stanhope, Lord Byron, Robert Burton, and with them went the artist adventurers, William Allan, David Wilkie, David Roberts, J. F. Lewis, Edward Lear, Arthur Melville and the rest of them. Ingres dreamt up images of decadence and indulgence, Delacroix of passion and violence. The English and the Scottish were more down to earth, hinting at assignations and adventures perhaps, but set into a known and closely observed everyday, albeit exotic world. John Frederick Lewis, who lived in Cairo for most of the 1850s, is the undoubted star, though Roberts runs him close.

Lewis has been dismissed too often as a mere decorator and illustrator in water-colour. He is much more than that, and it is good to see his oil paintings here beside the works on paper, to establish his scope. His accuracy is phenomenal, his psychological insight no less convincing, though set more perhaps to Victorian sentimental expectations, as his young girls flirt vicariously through the medium of the elderly scribe, than to the Oriental reality. Here is the fantasy of the harem: the girl pins her hair before the glass as her friend gossips at the window. The light streams through the latticed shutter. The silks and scarves hang softly down. The dream is complete.

Music wallowing in seductive eroticism

Sex and religion are essential ingredients in Chabrier's 'Briséis', says Richard Fairman

In recent years the Edinburgh festival has specialised in digging out the bits and pieces of the opera repertoire that are tucked away in the appendices of history books. Forgotten operas, unfinished operas, fragments of operas, the festival has unearthed them all. A headless torso, like Chabrier's *Briséis*, is its speciality.

Like any hopeful seeking attention, *Briséis* comes with a recommendation from a friend of the family: Richard Strauss, no less, conducted the first staged performance in Berlin in 1899. A production followed in Paris a few months later, but never in Britain, and not often anywhere else. It is hard to see how there could be. Chabrier left only four scenes, which do not advance beyond setting up the central dilemma of the plot.

The story is taken from Goethe's ballad *The Bride of Corinth*, but Chabrier and his librettists contrived to make it look like any other French opera from the end of the 19th century. Sex and religion are the essential ingredients. Combine them, as Massenet observed, and you have good box-office. At the point where Chabrier laid down his pen, a little over an hour into the opera, the titular heroine is heading off over the dunes, condemned to be a "virgin in eternity", just like Massenet's Thaïs.

Given that she and her boyfriend Hylas have just been drenched in a 60-minute outpouring of music saturated in sensuality, that seems like wishful thinking. Wagner knew to set the love music of *Tristan und Isolde* a world apart. Although Chabrier has absorbed much of that opera's heady atmosphere, he does not know when to stop. One highly-charged passage of throbbing phrases sounds particularly erotic, until one realises that it accompanies a man of God praying to the words, "Jesus, have pity on a woman who is about to die".

In short, there is not much theatrical grip here. What exists of *Briséis* is best heard in the concert-hall, where one can wallow in the seductive eroticism of its music without worrying about what has happened to the drama. This is what Edinburgh offered with a concert performance at the Usher Hall on Thursday, conducted with splendid élan by Jean Yves Ossonce and played with plausibly sumptuous sonorities by the BBC Scottish Symphony Orchestra.

Joan Rodgers and Mark Padmore were the two lovers, her soprano sweet and pure, his tenor rather white-toned in the early music style, though it was good of him to learn such a rare piece at short notice. Kathryn Harries sang the dying mother, who gloats outrageously when she discovers that she can win a reprieve from Christ by committing her daughter to eternal virginity – a Mephistophelean pact, if ever there was one. Simon Keenlyside's Christian was vocally more persuasive than Michael George's heathen Olympian.

The opera was preceded by a group of other Chabrier bonbons – *Espana* as the show-piece opener, the *Ode à la musique*, and *La Sulamite*, a choral scene taken from the *Song of Songs*, which climaxes in a Bacchic finale replete with pulsating orchestra and orgiastic yelping. Having him as a composer of the year will be fun, if nothing else.

Sponsored by the Friends of the Edinburgh International Festival

A day in the life of a festival groupie

Alastair Macaulay avoids the vampires but finds just about everything else

At 7.a.m: rise; and shine; and write about yesterday.

10.10 a.m: a 20-minute walk along the links and the meadows towards the Queens Hall and breakfast. The longer I work each morning, the later I set off, and the less time for coffee and croissants. On some occasions my mouth has still been full as the morning's artist ascends the platform.

11 a.m. Queen's Hall. (Official Festival.) Or, on this occasion, four artists: the Borodin Quartet. This year, at Edinburgh, is Beethoven year, and the Borodin players are giving morning and evening all-Beethoven recitals. This has its fascinations, especially in comparing early Beethoven with late. One music-critic chum, however, says "I can't bear the moral certainty of Beethoven and the Germans". I don't agree, since Beethoven's music to my ear has plenty of questioning, not least in the quartets; and, anyway, I am enough of an idealist or zealot to be a sucker for what moral certainties that he does offer – as in *Fidelio* or the Fifth Symphony. But debates about such matters are part of why I love coming to the festival. It might be better if the debate was helped along by programming Beethoven in context – in particular of Haydn and Mozart, and of Schubert and Schumann. Still, an all-Beethoven concert contents me much (and the all-*Fidelio* day thrilled me to the marrow).

12.30 a.m. The music critic who cannot abide Beethoven also cannot abide Indian food: in which case it is no-go to the excellent Indian vegetarian restaurant near the Queen's Hall. Today, we plump for *echt* Scottish food in the Grassmarket: for me, haggis with tatties and neeps.

2 p.m. Assembly Rooms. *Off Out*. (Festival Fringe.) All about prostitutes and their men. Are most fringe plays about sex? If not, I have an uncanny knack in avoiding the chaste ones. This year has a bumper crop of smutty titles – *Ilsa, Queen of the Nazi Love Camp*, *Dudes with Dicks*, etc . . . Several of those with harmless titles turn out to cover one or more variety of sexual perversion. (When clocking in at the Fringe press office this year, I said "I can't wait to see *Vampire Girlie Poofs of Sodom*." A press officer said "Oh, are you going to all four vampire shows this year?") For *Off Out*, the author is Gill Adams, the company is Hull Truck. Those of us who do not frequent the company of prostitutes may find an occasional dose of this kind of thing salutary; my dosage, however, has been quite regular, and though this play is sound enough it takes me nowhere other plays have not taken me before.

3.30.pm. Walking from the New Town to the Old, I bump into several colleagues in succession. "Have you seen anything wonderful?" comes the question. "Not so far," I reply.

4.30 pm. Pleasance. *A Midsummer Night's Dream* (Fringe.) I have also been told on no account to miss the Ukrainian company Theatre-on-Podol. In the queue to see its 100-minute version of Shakespeare's comedy, I meet two Canadians whom I told of the good word about Podol last night. They tell me that they're glad I'm here because if it's no good they'll lynch me. Oh dear. Well, it is *A Midsummer Night's Dream*, but the further it departs from Shakespeare the more enthralling it becomes. (An odd touch comes when the rustics switch from Ukrainian into Shakespearian English for Pyramus and Thisbe: e.g.: "I zank *zou*, Moon, for zy *glattering* beams," etc . . .) Theseus is sick; he and his court dream the story of erotic magic and fairies in the wood. Later, when Bottom & Co. play Pyramus and Thisbe at court, Theseus suddenly takes cruel revenge on Bottom for having made it (even if in ass's form) with Hippolyta-Titania; he stops the play and hands Bottom-Pyramus a real sword to kill himself with. So Bottom-Pyramus dies the noble Athenian way, and Flute-Thisbe follows suit; Hippolyta is aghast but powerless. Suddenly, however, Bottom and Flute spring back to life; they were good enough actors to fake death; and the joke, or dream, was on the nobles. All which turns the play into a Marivaux-type play about heart and heartlessness. The lights go up. Oh *dear*. The Canadians are tetchy. They are in Edinburgh because of Robert Lepage and his new *Seven Streams of the River Ota*. They think Lepage's *Dream* was definitive and poetic and Shakespearian, and they are cross because the Podel version is not. Nervously, I encourage them to talk Lepage, but this does not help matters. Like most people, they did not like *The Seven Streams*. I scarper before they decide to lynch me after all.

7.30. pm. Playhouse Theatre. Miami City Ballet dancing Balanchine. (Official.) To say that this year's festival includes the only three dance companies in the world I now care about is to exaggerate, but not much. (Mark Morris and Merce Cunningham are the other two.) Tonight reminds me what I had almost forgotten: that Balanchine ballets are, or should be, constantly dramatic and poetic illuminations of space itself. Also of music.

11 p.m. Traverse Theatre. *Killer Joe*. (Fringe.) More sex. Also, in this case, a hired killer, nudity, adultery, and double-crossing. There is even that rarest Fringe commodity, virginity – though not for long. The play ends with the ex-virgin going berserk with a gun. After she has shot most of her nearest and dearest she aims the gun at the hired killer who she meant to marry and announces "I'm pregnant." It is acted, well, by Hired Gun Theatre from Chicago, and set in a trailer park in Texas. My date, a New Yorker, tells me: "*All* Chicago theatre is like that." She explains why, but I am too tired to take it in. We stagger home. There are a million messages on the answering machine, all from fringe companies doing vampire shows at half-past-midnight this week. But at 1 a.m., my head hits the pillow like lead.

ARTS

Hans Memling's tortured souls take a trip

***Susan Moore** admires the Last Judgment in Bruges but feels it should have stayed in Gdansk*

A writhing mass of tormented humanity: detail of the damned souls in Memling's "Last Judgment"

Hans Memling is the most accessible of the so-called Flemish Primitives. He tempered the angular, agonised style of his probable master Rogier van der Weyden with a softness and sweetness of expression learnt in his native Rhineland; his poetic dreaminess and tranquility of mood is arguably more appealing than Van Eyck's enamel-hard perfection. Memling can be monumental but he is never heroic.

That, at least, is how he is often perceived. The achievement of the substantial exhibition in Bruges commemorating the 500th anniversary of his death in the city is to encourage us to adjust this conventional view. The process begins almost at once. It is hard to imagine anyone standing before his little-known and vast "Last Judgment" for the first time and not reeling.

The triptych's panels rise some 2.5m high. Underneath the figure of Christ seated on a brilliant rainbow and in the centre of an arc of human flesh, stands St Michael, resplendent in gleaming gold armour and peacock wings. He is weighing the souls of the dead who clamber out of their graves all around him, indicating the damned with the point of his crozier and dispatching them to the demons beyond. To the left, guided by St Peter, the righteous and redeemed calmly climb the crystal staircase to the Gothic gates of heaven, regaining their earthly identities en route. On the right, the damned – clerics among them – are herded into the furnace of hell. In the foreground one doomed soul attempts to claw his way towards salvation but is stopped in his tracks and dragged back: there is no escape.

For this writhing mass of terrified and tormented humanity, Memling obviously took great pains to depict the full gamut of man's possible reaction through gesture and facial expression. Amid the sulphurous flames, men and women are railing, imploring, recoiling, struggling, screaming, crying. Although we have no proof, it is tempting to assume that he, like Leonardo, spent time studying his own grimacing face in a mirror to understand the grotesque distortions of fear. Tempting, too, to believe that he made studies from life for the dramatically foreshortened and peculiarly posed figures in the foreground.

Such painstaking attention to detail is characteristic of Memling's response to the natural world. The colours of his rainbow are accurately recorded, the gold of globe and breastplate reflect in miniature the panorama opening before us, even detailing the barely visible Romanesque towers that loom behind the heavenly gate. Each petal and leaf, peacock feather and scattered gemstone is precisely rendered.

This massive altarpiece, arguably Memling's masterpiece, is the coup of the show. But its loan from the Narodowe Museum in Gdansk smacks of cultural opportunism. The triptych has only recently been lent to the Stefan Lochner exhibition in Cologne; any more fortunate institution than the Narodowe is unlikely to have allowed such a large and vulnerable work of art to travel at all. Certainly no other big panel painting has come to Bruges. Even a glance at the central panel of the "Triptych of Jan Crabbe" is a salutary reminder of how a panel painting can suffer.

How the painting came to Gdansk is a dramatic tale in itself. Commissioned by the Florentines Angelo di Jacopo Tani, manager of the Medici bank in Bruges, and his wife for the chapel they founded and dedicated to St Michael in his employer's church in Fiesoli, the altarpiece was on its way south when its ship was intercepted by a Polish warship operating on behalf of the Hanseatic League. The League was engaged in a trade war with England, the vessel's first port of call. The donors so soberly depicted on the triptych's closed doors were never to see their altarpiece again.

Significantly, a number of Memling's most important patrons were Italian. The astonishing *tour de force* which represents all the scenes of Christ's Passion compressed into a single – and fairly small – continuous narrative image was, for instance, commissioned by Tani's successor Tommaso Portinari. Memling's position in the cross-current of artistic ideas between North and South is fascinating. He appears to have been the first in the Low Countries to paint allegories on themes of love and virtue, a genre popular in Venice at the time. He also seems to be the first artist anywhere to have the highly artificial idea of placing his sitters against a pure landscape background – a device appreciated by his Italian patrons and found later in the portraits of Leonardo and Botticelli.

The series of small, bust-length portraits here is one of the highlights of the show – even if the inclusionist approach of curator Dirk De Vos gives us more than we might have expected. Some were made as wings of lost devotional works, almost all are tightly framed. Memling's cropping of tops of heads, hands and shoulders brings to his images the concentration of the close-up.

For all their microscopic detail – every fingernail, eyeball and iris is outlined, each hair and tuft of stubble individually delineated – these are personalities that remain enigmatic. No gaze is focused. The sense of other-worldliness and generalisation is emphasised by the diffuse light and softened contours. In the case of his sole surviving secular female portrait, we feel she represents no more than a fashionable ideal of feminine beauty and piety.

Visitors to Bruges will always be rewarded by the masterpieces permanently on view in St John's Hospital. Those who come for the exhibition will discover a subtly different Memling.

The exhibition continues at the Groeningemuseum in Bruges until November 15. Dirk De Vos' new monograph, Hans Memling: The Complete Works, is published in English by Thames & Hudson.

Saleroom/Antony Thorncroft

Pop memorabilia comes of age

Every year somebody discovers a "lost" Raphael, or a previously unknown El Greco, and the fine art world goes gooey-eyed. Next month Sotheby's sells the pop world's equivalent, a recording of John Lennon fronting his first band, the Quarrymen, in a church hall on a wet night in Liverpool in 1957.

Sixteen-year-old Bob Molyneux, a recording fanatic, taped an instantly recognisable Lennon screeching out two songs, one of them the hit of the day, Lonnie Donnegan's "Puttin' on the style". By chance he never got round to taping over the event, and as Lennon, as a Beatle, quickly became famous, Molyneux realised he had a potential gem and stored the recording in a bank vault. It should make him up to £150,000 richer on September 15.

Pop memorabilia, for long a disparaged sector of the auction market, is coming of age. The first sale was held by Sotheby's in 1981 and raised £50,000. Next month's auction should comfortably top £1m. Prices have hiccuped on occasion, especially when the Japanese temporarily abandoned the market, but in the main they have avoided the convulsions which have hit more outwardly respectable sectors, like Impressionist art and classic cars. In a generation's time the auction houses will still be selling the history of pop music, almost certainly for prices that today would look extravagant.

It could be regarded as very depressing, suggesting that the new rich, the successful entrepreneurs in their 30s and 40s, are so culturally deprived that they would rather spend their superfluous wealth on the paraphernalia of their youth rather than on the intellectual challenge of becoming connoisseurs of paintings or porcelain. There is very little artistic merit in the bulk of the items appearing for sale at Bonhams next Thursday and at Christie's on September 8, as well as at Sotheby's.

But pop music is certainly the great cultural, and social, phenomenon of the second half of the 20th century and mementos of icons, be they saints or military commanders, have always been collected. Like pop itself there is also a commercial element behind much of the buying. Restaurants, especially the various Hard Rock Cafés, often walk away with a quarter of the sales for use in decorating their outlets. Rock museums are also keen buyers. And the bidders for the Quarrymen tape will surely seek the agreement of the original song writers to exploit the recording commercially. Lennon could sing again from the grave.

The Beatles, naturally, dominate the auctions. The Japanese buy nothing but Beatles. Most of the buyers at the sales are fans – as are the sellers. The attraction of pop memorabilia is that it reaches down to street level. There must be thousands of middle-aged women with a signed photograph of the Beatles. A good example might sell for up to £600. And there will be even more thousands with forged Beatles signatures – their Fan Club often did the job for the Fab Four. Fakes – of gold discs, guitars, and costumes as well as signatures – are a real problem in this business. The auction houses spend hours trying to authenticate material and around half the items offered for sale are declined because of doubts about their provenance.

Apart from the Quarrymen tape the Sotheby's auction has a wide spread of the most desirable pop memorabilia,

There are curious discrepancies between a star's reputation in the real world and in the saleroom

making it the best sale for years. Among the most desirable objects of the sector are autograph original lyrics of Beatles songs. Sotheby's made £45,800 from "I am the walrus" last year: it hopes for £30,000 from "You've got to hide your love away" next month. Some of the most celebrated lyrics have yet to surface ("Yesterday", for example, would easily top £100,000): they remain the sought after "sleepers" of the pop world.

Along with lyrics well used instruments also arouse great interest. Last year a Jimi Hendrix Fender guitar went for £198,000, to the Jimi Hendrix Museum in Seattle. Sotheby's is selling two more Hendrix guitars (estimated up to £60,000) while Bonhams, a new force in this market, is offering the finest Hendrix archive ever to surface, with a "Gibson Flying V" guitar (modestly estimated at up to £25,000) as well as some really glamorous clothes, redolent with 1960s chic.

Hendrix is keenly collected. An early death helped, contracting his career into less than four years, thus ensuring that his paraphernalia is as rare as it is exotic. There are curious discrepancies between a pop star's reputation in the real world and in the saleroom. The Rolling Stones have never punched their commercial weight at the rostrum (a good signed Stone's autographed photograph might make £300), perhaps because ex-Stone Bill Wyman is known to have accumulated an unmatchable archive of the band. Bob Dylan, too, one of the undoubted giants of the genre, arouses little excitement, although Sotheby's hopes for £6,000 for one of his early harmonicas. (There must be hundreds out there somewhere, but authenticating that Dylan actually blew them can be tricky).

In contrast Freddie Mercury (dead), Marc Bolan (dead) and the Sex Pistols (a quarter dead) are auction room favourites. A Mercury postcard ("My dearest cherry trifle") commands a £600 top estimate; a Bolan bolero jacket £2,500; and Johnny Rotten's lyrics for the Pistol's "New York", around the same sum.

Of course the most famous dead rocker is Elvis. One of the many Elvis museums in the US recently sold off its stock at the Los Angeles saleroom of Butterfield & Butterfield and ended up $3.36m richer, with a cream coloured stage suit racing beyond its $30,000 estimate to $101,500. While London is the heart of the international market in pop memorabilia good Presley material sells best in the US. After all he managed to avoid the UK in his lifetime, too.

As pop music loses its creative spark it is in danger of becoming a museum culture. This would be bad news for the auction houses, reduced to recycling ever more antique material. Fortunately a few contemporary artists catch the collectors' imagination. Michael Jackson seems to have recovered his appeal after a bad spell last year; Prince is collected; and, of course, Madonna. Yet another of the Gaultier designed basques she wore in her Blonde Ambition tour comes up at Sotheby's commanding a £12,000 estimate.

Over time pop memorabilia could well merge into the general entertainment auctions, devoted mainly to Hollywood. Christie's South Kensington is putting a Barbra Streisand archive into its September 8 auction (with up to £4,000 expected for a costume from *The Way We Were*).

The main experiment at Christie's is the inclusion of the first significant collection devoted to a jazz giant, Charlie Parker. It belongs to his last partner, Mrs Chan Parker, and includes music manuscripts, awards and letters. It should bring in more than £100,000. If it goes well, jazz musicians could come into their own commercially in the auction rooms.

High-spirited Rossini at the Pesaro festival

On the further side of Italy, Pesaro sits on the sea just south of Rimini. It was the birthplace of Gioachino Rossini, to whom it owes substantial benefactions, though he never returned to live there. There is a Fondazione Rossini for musicological studies, and for many summers now a Rossini Opera Festival (sponsored this year by Scavolini) which takes account of the latest findings in Rossini research.

The first of the Rossini operas in the current festival was *L'Italiana in Algeri* – "The Italian Girl in Algiers" – in a larky production by Dario Fo, the theatrical master-of-all-trades.

The first edition of the score called for several comic dancers and acrobats besides the singing principals; Fo supplied a whole troupe of them, enthusiastically playing exotic animals, the Bey's slaves and eunuchs, and many fanciful supernumeraries. They sported in the shifting waves of a canvas sea with porpoises, flying fish and drowning sailors; during the longer arias, they mimed comments and distractions.

There was a wealth of comic ideas in the costumes and the ever-shifting sets, too, and a lot of cheerful grossness. As usual Fo wanted to find a humane message in the show as well, and decided that its heroes – the Bey's Italian captive Lindoro and his newly shipwrecked compatriot Isabella – represented modern, enlightened Man and Woman against unregenerate machismo. (The plot is too elaborate to recount, but imagine Mozart's *Seraglio* with an extra twist or three.) The actual cast lived up to that with variable success.

Isabella was the American Jennifer Larmore, currently the queen of Handelian sopranos. The fluidity and dark richness of the voice are remarkable, and her confidence boundless; there was no arguing with it. Almost as striking, though less favoured by her part as the Bey's unhappy wife, was Inger Dam-Jensen, last year's Cardiff "Singer of the World".

In secondary roles Ildebrando D'Arcangelo and the young Russian Svetlana Sidorova shone, and Bruno Praticò invested bumbling old "Uncle" Taddeo with the customary smirks and tics.

The leading men were less happy. Donato Di Stefano's Bey Mustafà, because he was unwell the night I heard him, and thus unable to provide full vocal weight for this overweening monster; Markus Schäfer's personable Lindoro (a late substitute), because his tenor was quite unready for the music. Truth to tell, he did some stylish things in quick music – but at the extreme heights of his first Cavatina the voice became a banshee screech. The Pesaro audience decided at once that it hated him, and booed him implacably.

David Robertson (of the Ensemble InterContemporain) fared no better with them, though the orchestra of Bologna's Teatro Communale sounded well enough under him. Perhaps the audience resented his gentle protests on behalf of the unlucky Schäfer ; but perhaps also they thought, as I did, that so much imperfect ensemble between orchestra and singers was unacceptable at a fourth performance.

Yet even the ruckus was good-humoured; Fo's high-spirited production made it hard for anybody to feel otherwise.

David Murray

Period-instruments play at the Proms

Wednesday's Prom offered Mozart's great if incomplete Mass K.427 and Beethoven's Fifth Symphony, both in C minor – which enhanced the contrasts between them. But what lent the concert a quite particular interest, obviously (for it was sold out), was the performers: John Eliot Gardiner, his period "Orchestre Révolutionnaire et Romantique" and his Monteverdi Choir, not to mention the distinguished soloists for the Mozart.

Period-instrument playing is hugely, unrecognisably better than it was even ten years ago, let alone 20 or 30. Allowances no longer have to be made. The ORR, only four years old now, has been delivering memorable performances already for Gardiner.

This is not a day-to-day orchestra; its concerts are special events, scrupulously prepared and repeated in various capitals. Beethoven's Fifth in the Albert Hall must nevertheless be a severe challenge for the relatively soft-toned instruments: in that vast space, would they sound tame and frail?

I confess that I listened at home to Radio 3, expecting to hear more of them that way. Judging by the satisfied roar of the audience at the end, that was an unnecessary precaution. Anything the orchestra lacked in sheer weight (not much; their numbers were increased for the occasion) was fully compensated by swift, clean lines and confident purpose.

Gardiner has been picking over a new edition carefully, and many details were freshly lit up – sometimes just by the period timbres. The modern piccolo in the Finale, for example, usually sounds like a steam-whistle; here, it was woody and gurgly, less shrill but more telling.

We expected Gardiner to give full value to Beethoven's "con brio" for the first movement, and he did. Quick and urgent, but crackling with controlled energy; still more for the "con moto" Andante, which lost nothing of its gravity to the conductor's unhesitating tempo. The different instrumental choirs were pungently contrasted, excellently balanced. The Finale was not an excited race, but a steady build-up of exuberance that reached explosion-point just before the end. We hear the Fifth rather a lot, but it is rare to hear it brought off so excitingly.

The Mozart must have been easier. In fact it was often idyllically beautiful. Gardiner is sometimes accused of a certain coldness, or at least coolness, in tender music; but with sopranos like Sylvia McNair and Anne Sophie von Otter – the one bright and limpid, the other darker, even slightly languid – there was no risk of that.

The "Christe Eleison" and the "Et incarnatus" (at least one of them intended for Mozart's wife Constanze) were especially lovely passages in a continuously lovely reading of the score.

In smaller roles the tenor Christoph Prégardien made his mark in the trio, and Alastair Miles provided a staunch bass; the Monteverdi Choir sang warmly and elegantly. One should have been there.

David Murray

Chess No 1035: 1 c2+ Kxc2 2 d3+ Kxd3 3 e4+ Kxe4 4 g5 Kf5 5 b1B+ Kxf6 6 Bh7 Kf7 mate.

TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Felix the Cat. 7.45 Joe 90. 8.10 The Adventures of Skippy. 8.35 SWAT Kats.

9.00 Grandstand. Introduced by Steve Rider. 9.00 Swimming: Commonwealth Games. Highlights of the first finals from Victoria. 10.52 Weather. 10.55 Cricket: Third Test. England v South Africa. Coverage of the third day's play. 1.00 News. 1.05 Football Focus. With Bob Wilson. 1.40 Cricket. 3.40 Cycling: World Track Championships from Sicily. 3.50 Football. 4.00 Cricket. 4.40 Final Score. Times may vary. Cricket coverage continues on BBC2.

5.15 News and Weather.

5.25 Regional News and Sport.

5.30 A Word In Your Ear. Lynsey De Paul and Nick Owen take on Philippa Kennedy and Bob Holness in the verbal communication game.

6.00 The Flintstones.

6.25 Pets Win Prizes. Shire horses, cockroaches and dogs compete in the wacky game show. With Terry Nutkins. Last in series.

7.05 Film: The Spaceman and King Arthur. An astronaut accidentally lands in Camelot, and helps its legendary ruler overcome the scheming Sir Mordred. Disney adventure, starring Dennis Dugan (1979).

8.35 News and Sport; Weather.

8.55 One Foot in the Grave. Margaret is left to Victor's tender mercies when she is confined to bed after collapsing from exhaustion. Comedy, starring Richard Wilson.

9.25 Police Rescue. Mickey falls for Tricia after a dramatic rescue, and Georgia faces a difficult decision about her future with the squad. Final episode of the Australian drama, starring Gary Sweet and Sonia Todd.

10.15 Match of the Day. Desmond Lynam introduces highlights from two of this afternoon's Premiership matches on the opening day of the season, and looks back over 30 years of the programme's history.

11.25 Cricket: Third Test. England v South Africa. Richie Benaud introduces third-day highlights.

11.55 Commonwealth Games Grandstand. Sue Barker introduces coverage of the swimming and diving from Victoria, plus news of medal-winning performances in gymnastics, shooting and wrestling. Subsequent programmes may run late.

2.00 Weather.

2.05 Close.

BBC2

6.00 Open University. 12.15 pm Tom and Jerry Double Bill.

12.30 Film: Shall We Dance. Fred Astaire and Ginger Rogers star in this musical comedy about a pair of dancers pretending to be married. Featuring songs including Let's Call the Whole Thing Off (1937).

2.15 Ways of Seeing. Art critic John Berger examines links between advertising techniques and the tradition of oil painting, and analyses fundamental differences between the two media. Last in series.

2.45 Daffy Duck Double Bill.

3.00 Film: The Million Pound Note. Comedy. Mark Twain story starring Gregory Peck, about a man who experiences severe financial difficulties when he is given a fortune in a single bank note he cannot cash (1954).

4.25 Tom and Jerry Double Bill.

4.40 Cricket: Third Test. England v South Africa. Coverage through to the close of play from The Oval. Subsequent programmes may run late.

6.30 Open University Showcase: Clinical Trials. The history and development of drug testing methods. Last in series.

7.00 News and Sport; Weather.

7.15 TV Troubles: Death on the Rock. Thames Television's controversial investigation into the 1988 killing of three unarmed IRA members by the SAS in Gibraltar, which led to bitter dispute between the government and broadcasters by asking whether British forces were operating a shoot-to-kill policy at the time.

8.05 Peter Grimes. British tenor Philip Langridge takes the leading role in Benjamin Britten's classic opera telling the story of a fisherman persecuted by an unforgiving community. Directed by Tim Albery.

10.30 Screen Two: Aimee. Guy Hibbert's award-winning drama about a successful rock promoter who kills his elderly mother, and afterwards refuses to co-operate with a solicitor attempting to get him off a murder charge. Donald Sumpter stars.

12.10 Film: Butley. Alan Bates recreates his West End role as a university lecturer consumed by personal problems in Harold Pinter's version of Simon Gray's stage comedy drama (1973).

2.20 Close.

LWT

6.00 GMTV. 9.25 Gimme 5. 11.30 The ITV Chart Show. 12.30 pm Starting from Scratch.

1.00 ITN News; Weather.

1.05 London Today; Weather.

1.10 International Athletics. Best of the action from the Ivo Van Damme Memorial meeting in Brussels, introduced by Jim Rosenthal.

2.00 Movies, Games and Videos. Reviews of new movie The Mask, starring Jim Carrey as a man who suddenly gains super powers.

2.30 WCW Worldwide Wrestling.

3.20 Film: Fun and Fancy Free. Disney mixture of animation and live action, including a version of Jack and the Beanstalk starring Mickey Mouse. With Edgar Bergen (1947).

4.40 ITN News and Results; Weather.

5.00 London Today and Sport; Weather.

5.15 Time Trax. A 22nd century fugitive goes on a killing spree, then frames future cop Darien Lambert for his crimes. Dale Midkiff and Lewis Fitz-Gerald star.

6.05 Scavengers. Futuristic adventure game, with John Leslie guiding four members of the public through mental and physical tests.

7.05 Celebrity Squares. Contestants compete for cash and cars, helped by celebrities including Bob Mills, Keith Chegwin and Malandra Burrows.

7.35 Film: Columbo: Murder of a Rock Star. A criminal defence lawyer devises a seemingly foolproof scheme to kill his girlfriend – but reckons without the investigative talents of Columbo. With Peter Falk.

9.15 ITN News; Weather.

9.25 London Weather.

9.30 Film: Punchline. Poignant drama, with Tom Hanks and Sally Field as a medical student and housewife determined to become stand-up comics. With John Goodman (1988).

11.45 Film: The New Centurion. Rookie cops are shown the ropes by an ageing patrolman on the violent streets of the city. Crime drama, starring George C. Scott and Stacy Keach (1972); ITN News Headlines.

1.40 Tour of Duty.

2.35 Get Stuffed; ITN News Headlines.

2.40 The Big E.

3.35 New Music.

4.35 BPM.

CHANNEL4

5.00 4-Tel on View. 6.35 Early Morning. 10.00 Trans World Sport. 11.00 Gaelic Games. 12.00 The Big 8. 12.30 pm Much Urdu: Gabriel's Wings.(English subtitles).

1.10 Film: Mister 880. An elderly man runs rings round the American secret service with his counterfeiting operation. Comedy, starring Edmund Gwenn and Burt Lancaster (1950).

2.50 Racing from Sandown Park. Coverage of the 3.10 Copacabana Stakes, 3.40 Sunley Foundation Stakes (H'cap), 4.15 Williams Hill Stakes (H'cap), and the 4.45 Crazy For You Stakes (H'cap).

5.05 Brookside.; News Summary.

6.30 Opening Shot. Profile of 12-year-old New Jersey jazz prodigy Sergio Salvatore, as he prepares for the release of his second album and a debut performance at Carnegie Hall. Opening Shot reveals how Sergio's fascination with computers allows him to construct complex arrangements and backing tracks.

7.00 The People's Parliament. Lesley Riddoch chairs a debate on the government's drug strategy following a recent warning from the Association of Chief Police Officers that the war against narcotics has been lost. Is control of supply through decriminalisation the only realistic option?

8.00 Film: Sahara. An American sergeant becomes isolated in his tank during the retreat from El Alamein and proceeds to harass the pursuing Nazis. Second world war drama, with Humphrey Bogart (1943).

9.55 Blue Heaven. Frank falls for a beautiful TV researcher who seems keen to feature Blue Heaven in a video – but is she on the level?

10.20 Film: Sunday's Children. Ingmar Bergman's autobiographical account of the complex relationship between a youngster and his clergyman father. Henrik Linnros and Thommy Bergren star (1992).

12.35 Late Licence.

12.40 Herman's Head.

1.15 Just for Laughs.

1.45 Passengers.

2.45 Beavis and Butt-Head.

3.15 Packet of Three.

4.00 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:

ANGLIA: [illegible]

BORDER: [illegible]

CENTRAL: [illegible]

GRAMPIAN: [illegible]

GRANADA: [illegible]

HTV: [illegible]

MERIDIAN: [illegible]

SCOTTISH: [illegible]

TYNE TEES: [illegible]

ULSTER: [illegible]

WESTCOUNTRY: [illegible]

YORKSHIRE: [illegible]

SUNDAY

BBC1

7.30 Dilly the Dinosaur. 7.35 King Greenfingers. 7.40 Playdays. 8.00 Telling Tales. 8.15 Breakfast with Frost. 9.15 Summer Sunday. 10.00 Commonwealth Games Grandstand.

10.55 Cricket: Third Test. England v South Africa. Early coverage of the fourth day's play from The Oval.

12.30 CountryFile.

12.55 Weather for the Week Ahead; News.

1.00 Harry and the Hendersons.

1.30 EastEnders.

2.50 Film: The Adventures of Robin Hood. The forest outlaw and his merry men fight to protect King Richard's throne from the evil Prince John. Swashbuckling adventure, starring Errol Flynn (1938).

4.30 Tom and Jerry.

4.40 Junior Masterchef. Three young contestants from Scotland compete. Presented by Loyd Grossman.

5.10 Lifeline. Sir Harry Secombe appeals on behalf of the British Diabetic Association.

5.20 The Great Antiques Hunt. Amateur enthusiasts are assigned a variety of tasks designed to test their knowledge of antiques, including stacking shelves in Gloucestershire's Packaging Museum.

6.05 News.

6.25 Summer Praise. David Matthew and Jumoke Fashola meet members of Britain's largest black Pentecostal Church at their annual convention in Brighton.

7.00 Small Talk.

7.30 2point4 Children.

8.00 The Tales of Para Handy. Para promises to help reform a small island's resident drunk, and finds he has a secret admirer. Gregor Fisher stars.

8.50 News and Weather.

9.05 A Fatal Inversion. Final part. The investigation closes in on Adam and Rufus, who are powerless to stop the truth being revealed.

10.05 Mastermind.

10.40 Everyman. The work of the Brook Advisory Centre, founded 30 years ago to give unmarried women contraceptive advice.

11.20 Cricket: Third Test. England v South Africa. Richie Benaud introduces highlights of the day's play.

11.50 Commonwealth Games Grandstand. More live action from Victoria, where the badminton team competition reaches its climax tonight.

2.00 Weather.

2.05 Close.

BBC2

6.15 Open University. 9.10 Parallel 9. 11.05 Dynamite. 11.20 Bay City. 11.45 Grange Hill. 12.15 pm The O Zone.

12.30 Sunday Grandstand. Introduced by Steve Rider. 12.35 Cricket: Third Test. England v South Africa from The Oval. 1.00 Speedway: The World Individual Final from Vojens, Denmark. 1.40 Cricket. 3.40 Motor Sport: Round 15 of the British Touring Car Championship. 4.00 Cricket. 6.00 Commonwealth Games: Swimming and diving highlights. Times may vary. Subsequent programmes may run late.

6.30 Student Choice 94. Paul Ross presents a step-by-step guide for A-level students seeking a place at university or college.

7.20 The Score. The secrets of legendary Stradivarius violins, a report on music composed for cartoons, and a review of Nigel Osborne's new chamber opera Sarajevo.

8.00 Commonwealth Games Grandstand. Sue Barker introduces further coverage as England's Sarah Hardcastle begins her challenge in the heats of the women's 400m freestyle.

9.30 Written in Blood: The Paramilitaries. Award-winning journalist Peter Taylor presents a personal account of the Troubles in Northern Ireland, focusing on the growth of the IRA, UDA and UVF over the past 20 years. In addition to assessing the chances of peace in the Province following the Downing Street Declaration, he again talks to people interviewed previously, including gunmen from both sides of the sectarian divide, and traces the fate of children encountered during his first visits to the country.

10.20 Moviedrome.

10.25 Film: Excalibur. John Boorman's version of the King Arthur legend, starring Nigel Terry as the ill-fated king of the Britons. With Helen Mirren and Nicholas Clay (1981).

12.40 Moviedrome.

12.45 Film: Nothing Lasts Forever. Surreal comedy set in the future following the exploits of an aspiring New York underground artist. Starring Zach Galligan and Lauren Tom (1984).

2.10 Close.

LWT

6.00 GMTV. 9.25 The Littlest Hobo. 10.15 Link. 10.30 Sunday. 11.00 Morning Worship. 12.00 Sunday. 12.30 pm An Invitation to Remember. 12.55 London Today; Weather.

1.00 ITN News; Weather.

1.10 100 Women.

2.00 Film: Hot Shot. Powerful drama about the friendship and respect between a hot-headed young soccer star and a legendary footballer. Jim Youngs and Pele star (TVM 1986).

3.50 Cartoon Time.

4.00 City Safari. An exploration of how wildlife can hamper man's attempts to clean-up the cities.

4.30 Autumn Preview.

4.35 Murder, She Wrote.

5.30 The London Programme. New methods implemented at Peckham Police Station to help reduce crime in the area.

6.00 London Tonight; Weather.

6.20 ITN News; Weather.

6.30 Dr Quinn: Medicine Woman. Mike (Jane Seymour) searches for evidence to help clear Loren's sister-in-law, who admits murdering her abusive husband but claims she acted in self-defence.

7.30 Watching.

8.00 Wycliffe. A body is found spread-eagled below the crucifix in a village church, giving rise to fears that a satanic cult may be at work – but Wycliffe has other ideas. Jack Shepherd stars as the Cornish policeman.

9.00 Red Fox. A British businessman is kidnapped in Paris by an organisation demanding the release of a convicted terrorist. Thriller, starring John Hurt and Jane Birkin.

10.55 ITN News; Weather.

11.05 London Weather.

11.10 Children of Woodstock.

12.10 Sail the World Special.

12.40 The Restaurant Show.

1.10 Get Stuffed; ITN News Headlines.

1.15 Married - With Children.

1.45 Cue the Music; ITN News Headlines.

2.45 Film: One Terrific Guy. Drama, starring Mariette Hartley (TVM 1986).

4.30 Music from the Circus.

5.00 Off Beat.

CHANNEL4

6.10 Early Morning. 9.45 The Odyssey. 10.15 Saved by the Bell. 10.45 Rawhide. 11.45 Little House on the Prairie.

12.40 Film: Gentleman Jim. Sporting biopic following the rise to fame of 19th century boxer James J. Corbett. Errol Flynn stars (1942).

2.35 After Arthur Minsky Died. Film short about a man's obsession with his health.

2.55 God on the Box. Offbeat history of religious broadcasting in Britain, from 1955 to the present day.

3.55 J'Accuse: Agatha Christie. Author Michael Dibdin reassesses the legendary crime writer's status.

4.25 News Summary.

4.30 Film: The Private Lives of Elizabeth and Essex. Historical epic charting the tragic love affair between Queen Elizabeth (Bette Davis) and the Earl of Essex (Errol Flynn) (1939).

6.30 The Cosby Show.

7.00 Heart of a Nomad. David Attenborough profiles 84-year-old explorer Wilfred Thesiger, who left Western civilisation and ventured alone into countries previously uncharted by Europeans. Illustrated by Thesiger's photographs, the programme examines his childhood in Addis Ababa, education in England, wartime exploits with the SAS behind German lines and travels with the Bedouins of north Africa.

8.00 Coast of Dreams. Two-part view of couples who have abandoned life in Britain in favour of the sunnier climes of the Costa Del Sol. The first programme follows pub owners Mike and Betti Thompson, who left their Southend home eight years ago to set up business in the popular Spanish resort of Benalmadena. They discuss how their dreams of fun in the sun were shattered by the reality of 16-hour days spent producing hundreds of servings of roast beef in 38°C temperatures.

9.00 Film: The Cowboys. Ageing rancher John Wayne is forced to take a group of inexperienced youngsters with him on a cattle drive (1972).

11.25 Intimate Stranger. Alan Berliner's account of the life of his maternal grandfather, Joseph Cassuto, a Palestinian Jew with a profound love of Japanese culture.

12.25 Film: Dark Eyes. Marcello Mastroianni stars as an ageing playboy who recounts his life story to a fellow guest on a cruise (1987)(English subtitles).

2.35 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:

ANGLIA: [illegible]

BORDER: [illegible]

CENTRAL: [illegible]

GRAMPIAN: [illegible]

GRANADA: [illegible]

HTV: [illegible]

MERIDIAN: [illegible]

SCOTTISH: [illegible]

TYNE TEES: [illegible]

WESTCOUNTRY: [illegible]

YORKSHIRE: [illegible]

RADIO

SATURDAY

BBC RADIO 2

6.00 Sujata Barot. 8.05 Brian Matthew. 10.00 Judi Spiers. 12.00 Hayes on Saturday. 1.30 Jimmy's Cricket Team. 2.00 [illegible]

BBC RADIO 3

[illegible]

7.30 BBC Proms 1994. Brahms.

9.35 Studio 3: Pianoman. By Emily Woolf. Starring Dora Bryan.

10.30 Jazz at the Bath Festival. [illegible]

BBC RADIO 4

[illegible]

Hangover Square. Adaptation of Patrick Hamilton's novel.

9.20 Music in Mind.

9.50 Ten to Ten.

10.00 News.

10.15 Looking Forward to the [illegible]

BBC RADIO 5 LIVE

[illegible]

WORLD SERVICE

BBC for Europe can be received in western Europe on medium wave 648 kHz (463m) at these times BST: [illegible]

6.00 Morgenmagazin. [illegible]

SUNDAY

BBC RADIO 2

[illegible]

BBC RADIO 3

[illegible]

BBC RADIO 4

[illegible]

BBC RADIO 5 LIVE

[illegible]

WORLD SERVICE

BBC for Europe can be received in western Europe on medium wave 648 kHz (463m) at these times BST: [illegible]

CHESS

William Watson (9/11) and James Howell (8½) were the players in form in last week's British Championship at Norwich. They were a point or more clear of their rivals, and would have stretched the absent grandmasters from the England team.

The Sicilian Defence 1 e4 c5 was the most popular opening. Sicilianites often aimed for the counter-attack 2 Nf3 Nc6 3 d4 cxd4 4 Nxd4 Nf6 5 Nc3 e5, while there was a fashion for 2 c3, the anti-Sicilian played by Adams and Judit Polgar. A few preferred offbeat lines, and one player regularly started 1 a3.

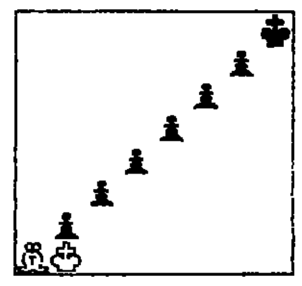
This fine attacking win was awarded a Raymond Mays best game prize (J Howell, White; C Ward, Black; British championship 1994).

1 e4 c5 2 c3 Nf6 3 e5 Nd5 4 Nf3 e6 5 d4 cxd4 6 cxd4 d6 7 Bc4 Nc6 8 0-0 Be7 9 Qe2 0-0 10 Nc3 Nxc3 11 bxc3 dxe5 12 dxe5 Qc7 13 Qe4 b6 14 Bg5 Before launching his attack, White exchanges Black's best defender. Bxg5 15 Nxg5 g6 16 Rae1 h6? Bb7! is a solid defence.

17 Bxe6! Black only reckoned on 17 Nxe6? fxe6 18 Qxg6+ Qg7 19 Bxe6+ Kh8 Kg7 If fxe6 (hxg5? 18 Qxg6+) 18 Nxe6 Bxe6 19 Qxg6+ Qg7 20 Qxe6+ White regains material with interest.

18 Bxf7 Rxf7 19 Nxf7 Kxf7 20 e6+ Kg7 21 f4 Reinforcements: 21 e7 Bf5 is less clear. Ba6. 22 Rf2 Qd6 23 f5 Bd3 24 f6+ Kh7 25 Qe3 Bc4 26 Rd2 Qc5 27 Qxc5 bxc5 28 Rd7+ Kg8 29 Rc7 Nd8 30 Rxa7! Rb8 If Rxa7 31 e7 queens. 31 e7 Ne6 32 e8Q+ Resigns. If Rxe8 33 f7+ wins.

■ Lloyds Bank 1994, starting 1 pm today at the Cumberland Hotel, London W1, will be the UK's strongest ever open with more than 30 grandmasters. Play continues daily until August 29: spectator admission is £3 (£1 after 4 pm).



Chess No 1035

Helpmate in six moves (by G.F. Steele, 1987). Black moves first, then both co-operate so that after six black and six white moves, White checkmates on his final move.

Solution Page XVIII

Leonard Barden

BRIDGE

Today's hand comes from the world championship 30 years ago:

N
♠ K 5 3 2
♥ 2
♦ 8 7
♣ A Q 10 9 5 4

W	E
♠ Q 4	♠ A J 7
♥ Q 10 8 6 4	♥ J 9 5 3
♦ A J 10 9	♦ 6 3
♣ J 6	♣ K 8 3 2

S
♠ 10 9 8 6
♥ A K 7
♦ K Q 5 4 2
♣ 7

West dealt with both sides vulnerable. After two passes, East opened a below-par one club, South over-called with one diamond and West bid one heart. When East passed, South knew he must be weak and re-opened with one spade. North raised to three and South's four spades closed the auction.

West led the club knave. Winning with dummy's ace, declarer led a diamond and his king lost to the ace. West switched to a heart, East's knave lost to the ace and the spade eight ran to East's knave. The heart return was won by the king, dummy discarding a club, and the spade ten was covered by queen, king and ace. The heart return was ruffed, the club queen covered and ruffed in hand and the diamond queen cashed. South led another diamond, ruffed on the table and over-ruffed by East. Dummy was dead and declarer went three down.

Had declarer discarded dummy's last diamond on his heart king and, after ruffing out the club king, ruffed a low diamond in dummy, he could have led club winners, discarding two losing diamonds, until East ruffed. Then, he could over-ruff with his last trump.

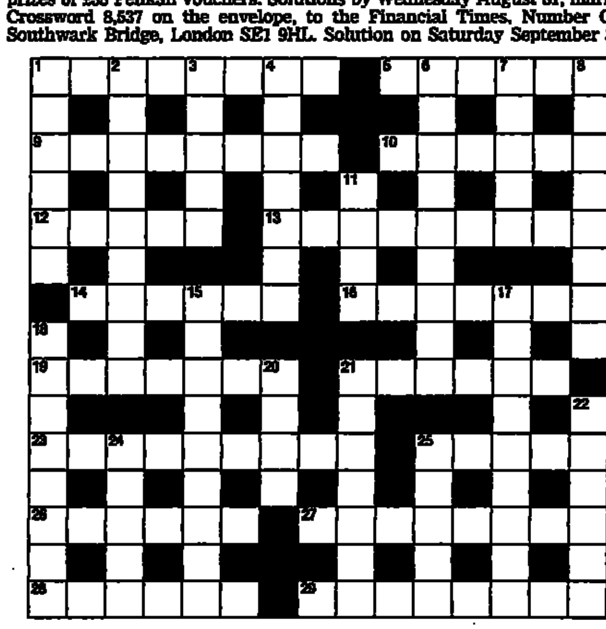
Declarer was one of the best players in the world but they all make mistakes. There is hope for us mortals.

E.P.C. Cotter

CROSSWORD

No. 8,537 Set by DINMUTZ

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday August 31, marked Crossword 8,537 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday September 3.



Name..........

Address..........

ACROSS

1 Can't dice, shaken, bring luck? (8)
5 A ship's complement said to build up (6)
9 Charge nothing for a body of troops (8)
10 Clydeside Moll is comely (6)
12 Animate Aesop's second tale, perhaps (5)
13 Stool very rickety in Jamaica Inn, for example (4-5)
14 Breaking the law, thus, with large and little woman say? (6)
16 Serves stock material for gloves (7)
19 Painter, architect and rector? (7)
21 Hair-oil from which heartless pro profited? (6)
23 Talks of lodgings (9)
25 Average time intended (5)
26 RAF, flying, in favour of having the wind up (6)
27 Mark, perhaps, of record pile having been knocked over (8)
28 Adventures of plane approaching St Tudwal's, initially (6)
29 Ordinary bar charge a quarter in this study? (8)

DOWN

1 Bowman from near Cherbourg (6)
2 Bell-sounds emanate from this settlement on a river (9)
3 Slow bowler, the first Englishman to make world tour? (5)
4 How like Knobby, would you say, without delay? (7)
6 X-ray? That is sometimes seen over a door .... (5-4)
7 .... door opens about noon with some lively music (5)
8 Energy and light on earth for all people! (8)
11 Opera singer keen to make a comeback (4)
15 The character of Jonson, translating St Michael? (9)
17 Novel child chosen as near-certain winner (9)
18 Lark has to fly around these days (8)
20 Be promoted and get a salary increase (4)
21 Hobby of father's generation? (7)
22 Set about cathedral, showing great staying-power (6)
24 Network upset over opening of Emmerdale with such a sad song (5)
25 Instant tea and coffee (5)

Solution 8,536

P	E	C	T	I	N		P	O	I	N	T	E	R	S
L		O		N				W		I		N		O
E	R	N	E	S	T		P	L	A	N	K	T	O	N
A		T		T		R		S		E		R		N
S	C	R	E	E	N	E	D		A	T	H	E	N	E
U		A		P		A		L		E		E		T
R	A	C	E		G	R	E	E	N	E	R			
E		T		A		I		V		N		T		C
			S	P	A	N	N	E	D		L	A	I	R
P		D		P		G		R		D		L		O
O	P	E	R	A	S		R	E	S	I	D	E	N	T
R		R		R		O		T		N		N		C
T	R	A	V	E	S	T	Y		S	N	A	T	C	H
E		I		N		T				E		E		E
R	E	L	A	T	I	O	N		C	R	E	D	I	T

Solution 8,525

F	O	R	T	R	E	S	S		E	D	I	S	O	N
L		E		U		T				O		T		O
I	L	L	U	S	O	R	Y		E	G	G	A	R	S
N		E		T		I				F		L		T
C	O	N	T	E	M	P	T		V	I	E	W	E	R
H		T		D		T		L		G		A		I
					P	E	R	I	P	H	E	R	A	L
A		C		T		A		T		T		T		S
D	O	R	C	H	E	S	T	E	R					
V		E		I		E		R		P		F		E
A	B	O	A	R	D		V	A	G	A	R	I	E	S
N		S		T				T		N		N		T
C	O	O	L	E	R		C	U	R	A	T	I	V	E
E		T		E				R		M		S		E
D	Y	E	I	N	G		S	E	R	A	P	H	I	M

WINNERS 8,525: Mrs H. Scholfield, Windsor, Berks; Mrs L. Arthan, Malpas, Cheshire; Mrs J.J. McKay, London SE18; S. Moore, Harrogate, Yorks; Mrs S.J. Palmer, Holmes Chapel, Cheshire; R.E. Smith, Cold Ash, Berks.

The lost art of the grovel

***Dominic Lawson** was highly impressed by Timothy Clifford's abject apology*

It was suggested in this column last week that the government's peculiar inability to reap political rewards from the economic good harvest was the result of not saying sorry. Specifically, it had pretended that it was wholly responsible for the transformation in our fortunes which followed on its involuntary exit from the exchange rate mechanism.

The British people could see that this was, at best, bare-faced cheek. We resented the complete lack of contrition for the hundreds of thousands of jobs lost because of the previous policy.

Now, within days of advancing this theory, the extraordinary power of a good old fashioned apology has been made manifest. Yesterday it was revealed that John Paul Getty II, the British-resident American philanthropist had confirmed his offer to donate £1m towards the fund to keep Canova's Three Graces in Britain, rather than have it bought by the Getty museum, established by his late father.

Two days earlier it seemed that Getty might withdraw his offer, after Timothy Clifford, the director of the National Galleries of Scotland, claimed on television that his kind offer was in fact motivated by a grudge against his father.

"I think Mr Getty never got on at all well with his father. That is the crucial point of it" said Clifford, with an astonishing mixture of presumption, impertinence, and foolishness.

The Times then published a letter in which Getty was reported as saying: "The only way I can see to disprove the allegation is to withdraw my offer and do everything I can to see the Getty [museum] gets it. This I propose to do, unless you have any suggestions."

Clifford had a suggestion alright. He apologised. He apologised epically. He apologised in industrial quantities. He apologised to any newspaper which would listen. He apologised in television studios, from morning to night. As the Daily Telegraph remarked, not since Priam abased himself before Achilles to secure the return of the body of his son Hector, has there been an example of grovelling so profuse and spectacular."

But the point was that Clifford, unlike the Conservative Party, has ended up with a smile on his face, (if it could be seen under such a large accumulation of egg). Getty, after such a gratifying barrage of apologies, relented. It looks as though Canova's Three Graces – or rather Canova's copy of his original, for that is what it is – will remain in Britain. And Clifford – unlike Norman *"je ne regret rien"* Lamont – has kept his job, if not his self-esteem.

It may be objected that such apologies as Clifford's are not motivated by a sense of shame, but rather by a sense of self-preservation, or some other ulterior motive. But that would miss the point.

An old-fashioned apology is social in its context: it is a way of letting the wider society know that the normal bounds of behaviour have been broached and that the breach has been acknowledged. That is why one apologises after one has belched in public.

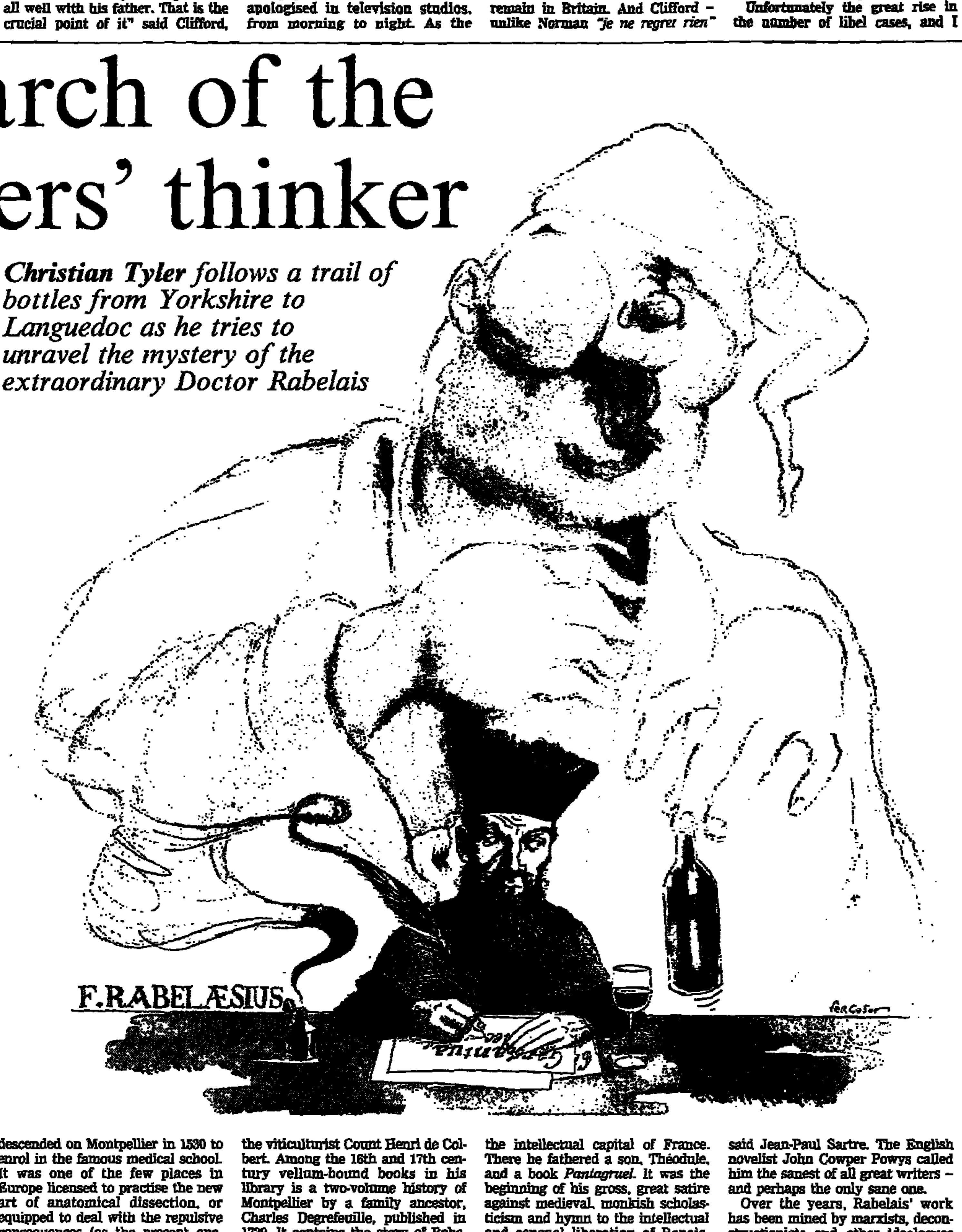
Unfortunately the great rise in the number of libel cases, and I suspect in the prestige of libel lawyers – George Carman QC is the man for our times – shows how far the prompt apology has gone out of fashion. Newspapers, more than ever, shun the immediate retraction as an unendurable embarrassment, and instead are prepared to spend hundreds of thousands of pounds of their shareholders' money in the hope that the plaintiff will run out of either patience or money, or both. And yet I have never come across a reader who thinks less of his newspaper for publishing a speedy retraction.

So while Timothy Clifford is currently the laughing stock of the art world, I have some hopes that his timely practice of the ancient and almost forgotten art of crawling will encourage those with real power of our affairs to rediscover the pragmatic merits of humility.

■ *Dominic Lawson is editor of The Spectator*

In search of the drinkers' thinker

***Christian Tyler** follows a trail of bottles from Yorkshire to Languedoc as he tries to unravel the mystery of the extraordinary Doctor Rabelais*



Alcofribas Nasier: even his anagrammatical *nom de plume* has the smell of drink about it. But there was a time, and there are still some places, where François Rabelais was better known for thinking than for drinking. As the sober-suited director of the Montpellier public library, Gilles Gudin de Vallerin, said: "The word 'rabelaisian' just does not suit him."

The 500th anniversary of the birth of the author of *Gargantua* and *Pantagruel* is being celebrated all over France – mischievously, because it is the second such celebration in a decade. But French wine-growers, tourist officers, politicians, visiting bibbers and buyers care little for the latest scholarly consensus which says Rabelais was born in 1484, not 1494. Their attitude is, as Rabelais might have said: "You open the books; we'll open the bottles."

The pilgrim's path to the real Doctor Rabelais is littered with bottles. This pilgrim's journey was launched during a convivial winter evening, from a stone farmhouse at the top of a Yorkshire dale. Hanging on the wall was an engraving of an equivalent stone farmhouse, La Devinière, ("the soothsayer") near Chinon in Touraine, the reputed place of Rabelais' birth.

La Devinière stands on the upper slope of a wide and open valley, overlooking fields of sunflowers and melons. The farmhouse bedroom is reached by an outside stair under its own grey slate roof. In the corner is a four-poster bed, hung in jute and linen drugget. Around the panelled walls are illustrations by artists over the centuries of the five books of *Gargantua* and *Pantagruel*; there is a piano score by Erik Satie and an original Matisse sketch.

But the putative birthplace of Rabelais is overwhelmed – undermined, one should say – by the magnificent rustic cellars below the house where wine presses and other agricultural impedimenta have been set out in honour of the secular saint of the vine. On their way out visitors are offered the chance to buy a magnum of the local red. The label says "Gargantua".

A kilometre or so down the road sits the abbey of Seuilly where Rabelais and his brothers may have been sent to school by their father, a Chinon notary (or apothecary, or inn-keeper). It is also the place where, in the first book, Friar John first appears defending the abbey close against the forces of the King of Lerné. The abbey is closed now, and used as a conference centre. But today someone had been busy: in the garden behind lay an immense quill pen, 17 metres long, made of plywood, its white paint drying in the sun. It was plainly the *plume* of Gargantua.

As his birthplace shows, François Rabelais was not a gentleman. But he was certainly a scholar. Enrolled as a monk into the Franciscan order he transferred to the more benign, modern regime of the Benedictines of Maillezais where he set himself to learn Greek, then considered a shocking, pagan language.

In early middle age, after a tour of the universities and a spell in Paris learning to despise the medieval orthodoxy of the Sorbonne, he threw off his monk's habit and descended on Montpellier in 1530 to enrol in the famous medical school. It was one of the few places in Europe licensed to practise the new art of anatomical dissection, or equipped to deal with the repulsive consequences (as the present anatomical museum reminds us) of the new plague: syphilis. Here in Montpellier the modern pilgrim was able to catch up with him, thanks to a hazy organisation called *Les Rencontres de Dionysos*, the creation of a whirling dervish of an Irish literary tippler, Dr Redmond O'Hanlon, of University College, Dublin.

By means of a cunning combination of brain-work with gullet-work, O'Hanlon had tempted a clutch of Rabelais specialists from France, England and the US to a seminar called *Rabelais et Dionysos; vin, carnaval, ivresse* at the Paul Valéry university. The days were to be devoted to academic debate, the nights to slaking the throat in the company of a succession of grateful but bemused wine-growers in the surrounding hills of the Languedoc.

Evidence of Dr Rabelais' own reputation for extraordinary scholarship came quickly to hand. Outside Montpellier, stands the beautiful Château de Flaugergues owned by the viticulturist Count Henri de Colbert. Among the 16th and 17th century vellum-bound books in his library is a two-volume history of Montpellier by a family ancestor, Charles Degrefeuille, published in 1739. It contains the story of Rabelais' encounter with a certain chancellor Duprat who was attacking the medical school's privileges.

According to legend, Rabelais opened his petition by addressing the chancellor's secretary in Latin. When the secretary called a Latin interpreter, Rabelais spoke to him in Greek. A Greek-speaker was summoned. The doctor switched to Hebrew. A professor of Hebrew was unearthed and Rabelais addressed him in Arabic. Finally, with a speech in Syriac – a form of Aramaic used by some eastern churches – the doctor clinched the contest. On hearing the story the chancellor was charmed and the privileges restored. For this feat, Rabelais' portrait was placed in the hall of the school and his doctor's robes thenceforward placed round the shoulders of each graduate.

Rabelais took his medical degree within months of arriving in Montpellier and went to practise at the Hotel Dieu hospital in Lyons, then the intellectual capital of France. There he fathered a son, Théodule, and a book *Pantagruel*. It was the beginning of his gross, great satire against medieval, monkish scholasticism and hymn to the intellectual and sensual liberation of Renaissance Man.

"Beuvez tousjours, ne mourrez jamais." Was Rabelais drunk when he wrote? Modern scholars say there is no evidence for it. Was he a boozer? If so, he could hardly have held the post of doctor at Lyons or, later, as secretary on important ambassadorial missions to Rome. But anyway, what constituted a boozer in 16th century France?

Rabelais' prose, scholarly and vulgar, defined French as Chaucer's had defined English, and poured out just at the moment when the printing press was spreading. His heirs include Sterne and the modern French writer Georges Perec – but above all James Joyce (though some find Joyce's wordplay anaemic by comparison).

"People who love Rabelais with all their heart read him as if he'd written the day before yesterday," said Jean-Paul Sartre. The English novelist John Cowper Powys called him the sanest of all great writers – and perhaps the only sane one.

Over the years, Rabelais' work has been mined by marxists, deconstructionists and other ideologues and mystics. Today, according to Dr Richard Cooper of Oxford, there is no real controversy left. His fellow participants in the Rabelais revels agreed that beneath the punning, insults and obscenity, the doctor has a humanist message to convey – which is partly why his books were condemned and censored.

That does not mean, however, that the academic playground has been entirely stripped of rides. Prof François Rigolot of Princeton University kicked off with a happy hour's discourse on rhetoric and ambiguity, taking as his text Friar John's pun in Book I: *service divin, service du vin.*

Marie-Madeleine Fragonard, a professor from Montpellier, talked about obscenity in the Renaissance. She explained how *con* might be traced back to the Greek *kuon* (dog) and reappear in the German *könig*, and how the syllables "cu" and "ul" had ancient symbolic meanings, as shown by the names of mythological heroes such as Mercury, Hercules and Bacchus.

Dr Carol Clark analysed the infant education of the giant Gargantua. What was meant by the episode in which the ladies of Grandgousier's court squabble over the baby's enormous, inquisitive member? It was, she suggested, from their eloquent banter that the infant was learning the rhetorical style of a Renaissance prince. Once he was transferred to the instruction of men Gargantua grew into a silent, hesitant adult.

For flights of Rabelaisian fancy there was none to match the gaunt and passionate figure of Claude Gaignebet, an anthropologist from Nice. Black-haired, grey-bearded and wild-eyed, with a battered volume of the masterwork under his arm, Gaignebet is the last survivor of that school which regards the five books as arcana, as riddles to be unpicked. His device is to manipulate the calendar to expose the keys and clues to what he says is the doctor's real *persona*, that of latter-day evangelist who reveals the true history of the Christian religion. Gaignebet, with his immense knowledge and exotic views, sometimes amuses, sometimes charms – and often frightens – more orthodox experts.

Whatever Rabelais' true purpose, it is plain that he has been swallowed and regurgitated by the voracious characters he created. It is his own fault. Commercial lobbies shamelessly invoke the name of Rabelais (there are discos and cafés named after him) yet it is the character of Gargantua that they are celebrating.

When Jacques Blanc, president of the Languedoc-Roussillon region, stood before the wine-growers of the Mediterranean in Narbonne and declared that wine does not lead to alcoholism, merely to an *ivresse* of the heart and the passions, he was talking in truly Rabelaisian fashion. But the scene before him was gargantuan: 500 diners, already gorged on oysters and sparkling wine, facing fresh fistfuls of cutlery, with seven glasses apiece waiting to be filled, roaring their approval while teams of *vignerons* paraded on stage in their medieval gowns to receive trophies in the shape of Silenus, the goatish mythical father of Bacchus.

A few miles away stands the most eloquent memorial of all to the spirit of Rabelais the devout, divine libertarian. Valmagne is a well-preserved gothic abbey church of 1257, as high as the cathedral of Notre-Dame from which Gargantua stole the bells. The monastery was confiscated from the Cistercians at the time of the French Revolution and passed into private hands. Apart from a statue of the Madonna holding a headless child and a cross made of twisted vine root, the church has been stripped of devotional trappings. In each bay that formerly housed a side-altar, stands a 40,000-litre wine barrel. There are 18 of these oak tuns in all for storing the output of the vineyard. The empty church is cool but airy, the perfect temperature. *Service divin* has become *service du vin*.

Rabelais, lawyer, doctor and writer died as a parish priest in Paris in 1553. He prescribed only one rule for his utopian (and co-educational) monastery, the 9,332-room Abbey of Thélème which Gargantua built for the heroic Friar John. It was: Do What Thou Wilt.

His instruction has been faithfully followed in this second-time-around anniversary year. But who is to complain? Only, perhaps, those who are tired of hearing the words "rabelaisian" and "gargantuan". For there is another adjective, one by which Rabelais better deserves to be remembered. It denotes wisdom, generosity, curiosity, spontaneity, hospitality and humanity. The word is *pantagrueliste*.

Truth of the Matter

Cheeky and misunderstood

***Michael Holman** reflects on what boyhood experience taught him about Africa*

It was generally agreed that "Smiler" May knew how to manage Natives. Whenever his boy got drunk, he gave him a sound thrashing, behind the *kia*, the servants' quarters at the end of the garden.

I used to like Smiler. He was as cheerful as his nickname suggested, and popular, judging by the turn out for the sun-downers he hosted, the round of drinks at the end of hot African days.

It was at one such evening that I changed my mind about him. As dusk fell on Victory Street, Gwelo, a small conservative town in the heart of Southern Rhodesia, Smiler's neighbours had gathered on his *stoep* (verandah), drinks in hand, while children roamed the surrounding gardens.

That evening, however, I lingered in the half-shadows near the *stoep*, a 12-year-old eavesdropper on conversations that turned to the trials and tribulations of domestic servants. All agreed on one thing: Smiler knew how to handle his boy. I cannot recall the "boy's" name. He was in fact an adult, the family's cook of many years standing. The relationship owed much, I heard Smiler explain, to those regular sessions behind the *kia*. They took place when Joseph (as I shall call him) was drunk. No one was more appreciative, apparently, of this vigorous display of concern for his welfare than Joseph himself. But one thing bothered Smiler: something in Joseph's expression. At the end of the thrashing, the boy was still "cheeky".

Smiler did not need to say more. It was the mid-1950s, a time when the African nationalist movement throughout the continent was starting to flex its muscles, the word was resonant with dissent and potential rebellion.

Joseph's passive resistance was no doubt inspired by his conviction that white minority rule would pass. And so it proved, some 25 years later, when Rhodesia became Zimbabwe.

Today, nearly 40 years on, that evening in Gwelo comes to mind. As Africa's post-independence crisis deepens, some voices call for Africa to be left to its own devices; others advocate trusteeship status for nations in distress.

But what we offer Africa – indeed, seek to impose on the continent – is an economic system and a political culture for which its peoples show little affinity.

It is as if Africa has been collectively taken behind the *kia* by the west, and given a thrashing by the World Bank and the IMF, the well-intentioned Smiler Mays of today.

Grunts of pain, and a series of exhortations, reach our ears as the virtues of structural adjustment and multi-party democracy are hammered home. With a cuff comes the demand: "Devalue!" And a further clout: "Privatise!", and then a punch: "Reduce the budget deficit!"

Ten years after the thrashing began, Africa emerges from behind the *kia*, battered and bemused, but *still cheeky*.

It is if Africa clings to an atavistic sense of what should be, and what might yet be. It never accepted communism, and while capitalism has triumphed elsewhere, it has yet to win over hearts and minds in Africa.

It is as if the continent dimly recalls an era long past, well before the slave trade, colonialism and the cold war, which between them traumatised the region. Traces of this era can still be detected, like Great Zimbabwe, the ruins of a once mighty city, testimony to a great indigenous civilisation, its rise and fall shrouded in mystery.

Africa sustains a belief in the extended family, respect for the elderly, hospitality towards strangers, and a passion for dance and music, laughter and physical embrace which makes the west seem soul-less.

There also survives a culture of compassion and tolerance, reconciliation after Biafra, or the forgiveness of their erstwhile jailers by the Kenyattas, the Mugabes and Nelson Mandela.

It is if Africa is saying that these values, and more besides, are incompatible with capitalism. Yet it fails to articulate an economic or constitutional alternative to the systems it rejects, based on values Africa finds alien.

So Africa stubbornly, doggedly resists, as it pursues a vision based on the past. Africa has rejected our embrace and shrugs off our thrashing, but like Smiler May, we are only aware that Africa, like Joseph, is defiantly "cheeky".

As They Say

A tale of hits and myths

You could feel the sense of relief. At last, the papers could ring the changes on the exhausting, grim stories that had dominated their news pages for so long. The arrest of Carlos the Jackal brought joy to every editor's heart.

No matter that the man handed over by Sudan to the French was a bit of a bungler. No matter that his last escapade took place years before the end of communism. He was still the person remembered as the incarnation of international terrorism.

The *Frankfurter Rundschau* said Carlos had moved through the international terrorist infrastructure in his earlier career like "a fish through water". But 1989 had created "greater international transparency" which made it more difficult for him to hide behind "progressive" regimes.

The word that cropped up most often was "myth" and the other Frankfurt daily, the *Allgemeine Zeitung*, made the most of the theme: "A myth that has been detained is a myth no longer. That is the most important thing about the arrest of... Carlos." (This might not be true: the detention of Napoleon probably enhanced the Bonapartist myth. One remembers the supposedly tragic, brooding figure on St Helena.)

Madrid's *El País* called Carlos names which it might have eschewed had he been at large and at the top of his form. He was the "joker of terror" and "an armed dilettante". But it, too, subscribed to the myth theory of the international killer; anybody who behaves like something out of a cheap paperback gains an aura of romance.

In France itself, *Le Figaro* made its editorial a manifesto for the

***James Morgan** on how the Jackal brought joy to editors' hearts*

tough interior minister, Charles Pasqua. "Every time he has had the job, he has pulled off a spectacular coup. He has now become kingmaker among the Gaullist contenders for the presidency in the election early next year."

Libération reported that Sudan had been paid off with satellite pictures of the (Christian) rebels in the south of the country that enabled the (Islamic) government to wipe them out. Pasqua has made his name at home as the hammer of fundamentalist terrorism but, if *Libération* is right, he is somewhat more flexible abroad.

The Carlos story is one that reflects the continuing division of Europe. Although it was the east that provided his sanctuary for so long, Carlos is not well known there. His activities were hardly the stuff of news in the communist media; thus, his arrest had only a modest impact east of the Oder.

Indeed, the *Leipziger Volkszeitung* managed to be wrong and banal in successive sentences: "With the arrest of Carlos, a successful blow has been delivered against the nerve centre of international terrorism. But the world is still not safe from terrorist attacks."

Elsewhere in the former communist world, reports were straightforward, even dull. So, a commentary in the Prague daily *Mlada Fronta Dnes* seemed, at first, surprising. "Justice has finally caught up with at least some of those who, in their time, mercilessly liquidated the class enemy," it began.

This, however, turned out to have nothing to do with Carlos but, rather, with charges against a "former torturer" once employed in political prisons in Bohemia. The paper added: "Bringing the perpetrators of communist brutalities to court is a more genuine contribution to the de-communisation of society than any well-meant but empty ideological appeal." By comparison, the trial of Carlos will be virtually meaningless.

In eastern Europe, the retired terrorist is not some glamorous figure in an exotic capital but the civil servant next door. In spite of its local preoccupations, the Interior Ministry in Prague rummaged through its predecessor's archives and revealed the less-than-glamorous truth about Carlos.

The Czech news agency reported that the records showed Carlos visited Prague frequently from 1978 to 1986 on a South Yemen diplomatic passport. But all governments in the region were getting fed up with him and, gradually, he fell out of favour. They accepted him, only to pass him on as soon as possible to an ally.

Being a myth, it seems, was not really all that much fun.

■ *James Morgan is economics correspondent of the BBC World Service.*

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